

# **Growing Pains or Growing Gains?**

Investigating the Influence of Business Growth on Environmental and Social Credentials of Sustainability-driven Enterprises

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## **Abstract**

Sustainability-driven businesses combine the principles of conventional for-profit companies with a strong commitment to their social and environmental credentials. This structure enables them to address social problems in an economically sustainable manner and to capitalise on consumer demand for responsibly-made products. The growth of sustainability-driven companies is often seen as another successful step towards sustainability transition. Indeed, a company's growth allows it to expand its positive environmental and social impact significantly. Nevertheless, many real-life examples indicate that as such companies grow, it becomes more challenging for them to stay loyal to their initial sustainability vision and values. Therefore, this thesis explores how business growth influences the sustainability credentials of sustainability-driven enterprises with an aim to develop a conceptual framework that can serve as an analytical tool for practitioners to analyse the cases of growing mission-driven companies. As a first step, a literature review was conducted in order to answer the research question and to construct an analytical framework that was then tested on the case company, Oatly, a fast-growing Swedish producer of plant-based alternatives to dairy. A review of the company's latest sustainability report and semi-structured interviews with internal and external respondents were used as the primary data collection methods. The case study provided three main results. Firstly, the framework proved to be an effective instrument for obtaining a better understanding of what elements of a company's sustainable vision and practices are being or could be influenced by four main factors of growth: overtrading, expansion to new markets, formalisation of the systems, and change in leadership and ownership. Secondly, both positive and negative consequences of growth have been identified. Thirdly, the case of Oatly provided insights on what factors and mechanisms can help sustainability-driven companies retain and improve their sustainability credentials during periods of growth.

**Keywords:** Sustainability-driven enterprise, social enterprise, business growth, growth factors, mission drift

## Executive Summary

### Problem Definition

It is becoming more evident that the growing human population and prevailing practices of resource use, production, and consumption are, or will become, the main causes of environmental and social crises leading to climate change, the depletion of natural resources, air pollution, social injustice, and inequality. In order to tackle these pressing challenges, more sustainable practices have to be adopted by society. Businesses have been identified as a cause of the problem, yet they can also be a solution. Sustainability-driven companies combine for-profit behaviour with strong social and environmental goals and values embedded in their mission. Combining the elements of two worlds - the ability to operate in the conventional economic system and high potential to contribute to positive social change, such companies are considered one of the leaders of the global transition towards a more sustainable future.

Considering the significant role of sustainability-driven enterprises, it is important to understand how a company's ability and potential to positive change can vary over the course of the company's growth and transformation. The growth may result in obtaining more resources and opportunities for scaling-up the positive impact. However, the practice also shows the negative consequences of growth. Companies such as Ben & Jerry's, Patagonia, The Body Shop, or Innocent Drinks are examples of businesses that experienced challenges in retaining and reinforcing their sustainability credentials caused by growth-related reasons, such as an expansion of production, the entrance of new management and shareholders, acquisition by a bigger and more commercially-driven corporation, or decentralisation and delegation.

Even though the relation between growth and sustainability credentials of sustainability-driven enterprises has already caught the attention of some scholars, the research stream lacks a systematic approach that could help analyse such cases and provide guidance for practitioners in order to help them make informed decisions.

### Aim and Research Question

The aim of this research is to develop an analytical framework that helps gain a holistic and in-depth insight about the opportunities and challenges of retaining sustainability credentials that sustainability-driven enterprises face while growing. The framework is intended to be a useful diagnostic tool for a company's decision-makers for gaining a better understanding of what sustainability credentials are affected by their rapid growth and where they should focus efforts and resources in order to improve the company's potential in achieving its social and environmental goals.

In order to achieve this aim, the following research question (RQ) is posed:

*RQ: How does the growth of sustainability-driven companies influence their sustainability profile and credentials?*

### Analytical Framework and Research Design

A first version of the analytical framework was developed based on the findings from a thorough literature review. The framework comprises two parts. First, it addresses the aspect of sustainability credentials by breaking them down into three levels (core, micro and macro-level) and seven areas in total: socially and environmentally embedded mission, positive leadership, long time horizons, suppliers and communities, employees, customers, and market transformation. The second part of the framework is devoted to business growth outlining four major factors associated with growth: overtrading (uncontrolled growth), expansion to new

markets, formalisation of processes, and change in leadership and ownership. The influence of each of the growth factors on each of the areas of sustainability credentials is intended to provide a comprehensive overview of the consequences of growth.

A single case study was used in order to test the framework and broaden the understanding of the influence of growth on sustainability profile and aspirations. Oatly, a Swedish producer of oat-based alternatives to dairy, was chosen as a case company. The two data collection methods operationalised in this research are the review of Oatly's latest sustainability report and semi-structured interviews with the company's representatives and external experts. The data collected from these sources was then coded and structured following the structure of the analytical framework.

## **Findings**

The review of the existing literature and data collected in the company's sustainability report and the interviews helped obtain several interesting findings.

First, although the definition of sustainability-driven enterprise is still debatable and vaguely determined by researchers, such enterprises can be defined by a range of commonalities: a strong environmental or social value which is embedded in the company's mission, a long-term vision, a strong influence of founders or CEO's personal values and enthusiasm, a powerful sustainability message embedded in the product, selectivity in resource acquisition and a care for employees' well-being. The case study analysis demonstrated that Oatly has all these characteristics.

The consequences of growth experienced by Oatly identified through the application of the framework, to a large extent, reflect the opportunities and challenges identified in existing literature. This demonstrates a high level of generalisability of the framework. However, the Oatly case analysis through the developed framework has revealed new challenges and opportunities which did not emerge from the literature. The risks associated with a high dependence on local legislation, infrastructure, and public awareness about environmental and social issues in new countries were identified as one of the negative consequences of expansion into new markets. Moreover, while existing literature addresses the negative effect of growth on employees in terms of loss of shared sustainability values and enthusiasm, the case of Oatly showed that employees health and well-being might also be at risk due to turbulent and intensive workflows and a lack of time for detailed safety instructions caused by a company's focus on an increase in production. Another challenge identified was the risk of losing the strength of the sustainability message embedded in the product and trust of customers, suppliers, and partners due to the entrance of controversial investors. Apart from providing enhanced knowledge about possible growth-related challenges, the analysis of the case company helped obtain a comprehensive and detailed list of opportunities that business growth can result in. Growth allows the company to disseminate its positive message more effectively among the expanding customer base and a more extensive network of partners. Growing volumes of purchased materials and produced items provide leverage that can be used in communication with political entities and suppliers. Additionally, growth can help attract like-minded employees, managers, and investors who can improve the company's sustainability profile.

The results obtained from the case study provided evidence that the developed framework can serve as an effective and universal diagnostic tool for defining current and possible future opportunities and challenges of retaining sustainability credentials in the case of growing sustainability-driven enterprises. Two adjustments to the initial version of the framework, suggested after its application to Oatly, are suggested: moving the "employees" area of sustainability credentials from the micro to the core level and thus giving it more weight; and adding an aspect that was discovered during the study – "product and production processes" – to the micro-level.

## **Conclusions and Recommendations**

Given the importance of sustainability-driven enterprises' role in the global transition towards more sustainable production and consumption, it is critical to understand how the transition from a start-up phase to a big international company may influence its ability to disseminate positive change. This research provides a contribution to the stream of academic literature on sustainability-driven enterprises and consequences of their growth. The results provide a systematic overview of the relation between growth and sustainability credentials and present an analytical framework that is intended to serve as a useful practical instrument for analysing the consequences of growth for such companies. Managers and consultants working on the strategic development of sustainability-driven companies will benefit from applying the framework in the process of analysing opportunities of growth that otherwise can be missed or challenges that might otherwise not be considered in time. This research therefore recommends the implementation of the developed framework in order to understand the initial social and environmental values and aspirations of the company, track the changes caused by organisational growth, and foresee their possible influence on the sustainability credentials. The suggestions for further research include testing the framework on multiple cases in order to improve its applicability and exploration of tools and mechanisms that could help sustainability-driven enterprises retain and improve their sustainability profile in the periods of growth.

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## **Abbreviations**

B&J	Ben & Jerry's
CEO	Chief executive officer
CSR	Corporate social responsibility
CTO	Chief technology officer
IIIIEE	International Institute for Industrial Environmental Economics
IPCC	Intergovernmental Panel on Climate Change
PR	Public Relations
RQ	Research question
SME	Small and medium enterprise
TBL	Triple bottom line

# 1. Introduction

## 1.1 Background and Problem Definition

### 1.1.1 Background

Over the past decades, increasing attention has been given to the environmental and social crises caused by pressures of a growing human population and the negative impact of industrial production (Hart, 1995; IPCC, 2007, 2019; Meadows et al., 1972). It is becoming more and more evident that in order to tackle pressing challenges such as climate change, deforestation, the depletion of natural resources, air pollution, social injustice and inequality more socially and environmentally responsible behaviour has to be adopted by industries (Commission of the European Communities, 2001, 2002; IPCC, 2007). As a consequence, such terms as Corporate Social Responsibility (CSR) and Triple Bottom Line (TBL) have become popular among academics, policy-makers, and businesses (Carroll, 1999; Elkington, 1998).

While increasingly confronted with environmental and social challenges, some companies still exist in and support the business-as-usual paradigm focusing primarily on commercial gains, whilst having sustainability considerations as an afterthought. In contrast, other companies are actively incorporating sustainability considerations not only on an operational level but also in the cultural values of the organisation, linking them to their mission. Such companies can be referred to as sustainability-driven enterprises. They combine for-profit behaviour with strong environmental and social values embedded in their vision and mission (Bérard & Saleilles, 2016; Hoffman et al., 2010; Parrish, 2010). They are driven by the ambition to be the enablers of a global transition towards sustainability and see both social and commercial value in overcoming market failures (Cohen & Winn, 2007). They are able to achieve a “win-win” scenario when their strong environmental and social goals make the company succeed in achieving their commercial success and vice versa (Parrish, 2010).

A growing movement of sustainability entrepreneurs can be explained by the growing interest of investors in sustainable innovation and responsible brands. According to a report published by The Global Sustainable Investment Alliance (2018), global sustainable investing assets accounted for USD 30.7 trillion in 2018, an increase by 34% compared to 2016. Industries such as renewable energy and sustainable agriculture are becoming more attractive to investors with their market values projected to grow in the upcoming years (Ajadi et al., 2019; Principles for Responsible Investment UNEP Financial Initiative and Global Compact, 2018). In addition, the movement is supported by consumers’ behavioural shift towards a more sustainable lifestyle. More consumers nowadays increase their awareness of sustainability issues and choose purpose-driven brands that reflect their personal values (Nielsen, 2018). All these factors, together with governmental support and incentives, stimulate the emergence of more sustainability-driven start-ups.

Due to their essential role in the sustainable transformation of markets and society, and high potential for resolving environmental and social challenges through the opportunities inherent in market failures, this type of enterprises is gaining more attention in the scientific community (Albino et al., 2009; Dean & McMullen, 2007; Hoffman et al., 2010). In recent years, a number of empirical and theoretical studies have been published aimed to uncover the main principles and motivations of such businesses to emerge, their organisational design (Albino et al., 2009; Hoffman et al., 2012; Parrish, 2010), and aspects related to competition with bigger and less sustainability ambitious incumbents (Bérard & Saleilles, 2016). At the same time, only very few

studies have so far made an attempt to explore how the aspirations and sustainability profile of such companies change in the periods of organisational transformation and business growth.

### **1.1.2 Problem Definition**

Sustainability-driven enterprises usually emerge from their founder's passion for sustainability (Choi & Gray, 2008) with the idea to develop and implement a sustainable innovation in the service or product that a company launches to the market. In addition, such companies integrate their sustainability vision into organisational culture and communicate the message about the need for adopting more sustainable production and consumption practices through their employees, supply chain network, partnerships and consumers.

When the company is small, it is relatively easy to maintain and nurture the spirit of purpose and care for the environment and society. However, once a company decides to grow in order to disseminate the positive change across a more significant number of stakeholders, real-life examples show a shift from the initial goals towards purely for-profit behaviour and discrepancies in relation to the original sustainability goals, which is usually referred to as "mission drift" (Chambers, 2014; Cornforth, 2014).

One of the most notorious examples is the story of Ben & Jerry's<sup>1</sup> growth through acquisition by Unilever<sup>2</sup>. Before the acquisition happened, the company had been known for its social mission in regard to organic agriculture, local sourcing, and care for their employees. When they were sold to Unilever, the company's focus changed so dramatically that it was even noted and widely discussed by their customers and employees (Chambers, 2014; Mirvis, 2008). According to Chambers (2014), in the 2004 sustainability report, Ben & Jerry's admitted that "we are beginning to look like the rest of corporate America" (p. 35) and that "fewer than half expressed confidence that Ben & Jerry's will continue to uphold its commitment to values." (p. 35).

Challenges in balancing between business growth and the retention of sustainability values were also experienced by other companies with strong sustainability profiles, such as Patagonia (Weinberg, 1998), The Body Shop (Martin et al., 1998; Weinberg, 1998), Innocent Drinks, and Howies (Nazarkina, 2012).

These cases provide evidence that whereas business growth of sustainability-driven companies brings many benefits in the form of more effective and efficient engagement of society with the topics of sustainability and replacement of products and services with weaker sustainability credentials, there seems to be a risk of dilution of the initial values and aspirations. Therefore, further exploration and investigation of the relation between a sustainable enterprise's growth and the company's potential to achieve its environmental and social goals is needed.

Although some scholars have conducted research in order to explore potential tensions and growth-related challenges causing mission drifts (Bergin & Charuschanyawong, 2018; Chambers, 2014; Mamo, 2011; Rabi, 2017), this stream of literature lacks academic studies which help systematically identify what positive and negative outcomes sustainability-driven companies experience or can expect due to their growth.

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<sup>1</sup> An American producer of premium ice cream, frozen yogurt, sorbet, and non-dairy, founded in 1978. (URL: <https://www.benjerry.com>, retrieved in May 2020)

<sup>2</sup> A British-Dutch transnational consumer goods company, founded in 1929. (URL: <https://www.unilever.com>, retrieved in May 2020)

Sustainability-driven enterprises, combining a high potential to positive change and an ability to operate and even succeed in the markets based on a traditional economic paradigm, can serve as a great instrument for a gradual transition towards a more sustainable future. However, they require scientifically-backed guidance and practical tools for a more in-depth understanding of how their sustainability credentials can be influenced by their growth.

## 1.2 Aim and Research Question

The aim of this research is to develop a comprehensive analytical framework for analysing the opportunities and challenges of retaining sustainability credentials that sustainability-driven enterprises face while growing. This framework is intended to be a foundation for developing more practical and “user-friendly” guidelines that companies and sustainability consultants could apply while identifying and dealing with growth-related opportunities and tensions.

In order to achieve this aim, the following research question was posed:

*RQ: How does the growth of sustainability-driven companies influence their sustainability profile and credentials?*

By answering this question, a series of lessons to growing sustainability-driven small and medium enterprises (SMEs) were identified and outlined in Chapter 5.

## 1.3 Scope and Limitations

This research focuses on the phenomenon of sustainability-driven enterprises, their characteristics and sustainability credentials, their growth and its consequences. While looking for relevant literature and developing an analytical framework, no emphasis on the geographical location or political environment was made. It is important to note that in this paper, the terms “company”, “business”, and “enterprise” are used interchangeably.

The empirical part of the research focuses on a single case study as a means of investigating current and potential opportunities and challenges to retain and strengthen sustainability credentials of a Swedish oat-based food product producer, Oatly. It operates under specific economic and political conditions in its home country of Sweden, where standards are high when it comes to environmental and social goals. Nevertheless, the case company was used in order to test an analytical framework that is intended to be generally applicable to small and growing sustainability-driven enterprises around the world. While analysing the results and suggesting alterations to the framework, the framework’s potential generalisability was taken into consideration to make it relevant to most sustainability-driven companies regardless of their geographical context and stage of growth.

The review of the company’s sustainability report and semi-structured interviews were chosen to be the primary methods of collecting information. Even though semi-structured interviews are one of the most common methods in qualitative research (Doody & Noonan, 2013) and provide the advantage of in-depth exploration of the topic by revealing new aspects that may not have been considered initially (Gray, 2009), it can be challenging to avoid personal bias which can influence the accuracy of the information received. A cross-comparison of the information reflected in the interview transcripts and the review and analysis of Oatly’s sustainability report helped assess the validity of claims and statements of the interview respondents.

The interviewees were chosen with the intention to obtain a sufficient amount of information on Oatly's sustainability work in various areas – core values, strategy, supply chain, customers, etc. Although the list of respondents comprises people representing different departments, the research would have benefited from engaging more employees who were unavailable in the period of data collection due to busy schedules caused by the Covid-19 pandemic.

Further methodological implications and limitations are discussed in Chapter 3, and reflections on the research process and chosen methodology are provided in Section 5.6.

## **1.4 Ethical Considerations**

The primary ethical consideration in this research was the treatment of respondents and the data obtained through interviews. Each interviewee volunteered to participate in the research and was provided with the essential information about the research project to allow them to understand the implications of participation and to reach a fully informed decision, without the exercise of any pressure or coercion. Respondents were also asked to fill in and sign a consent form (Appendix III), which outlined the terms of use for information collected through the interviews and the rights provided to interviewees, including consent to be audio-recorded and the option of anonymity.

All the data used for this thesis is stored securely. All transcripts, contact information, notes, and interview recordings are stored on a password-protected computer and secure cloud service.

Considering the aim of the research and the level of delicacy of the information obtained through the interviews, there is no cause to believe that participants may suffer any disadvantage or damage from their participation in the research project.

The research has not been funded by any external organisation and no party of interest has had an influence on the analysis and results presented in this thesis other than the author, supported by her academic supervisor.

The acknowledgement of works of other authors used in any part of the thesis was assured through careful consideration of plagiarism issues.

The research design has been reviewed against the criteria for research requiring an ethics board review at Lund University and has been found to not require a statement from the ethics committee.

## **1.5 Audience**

This work can benefit the academic community seeking to further examine the connections between corporate sustainability and business growth. In addition, considering the features and the topics covered in this thesis, the target audience of this work is sustainability-driven firms. By investigating the challenges and opportunities of maintaining the primary sustainability credentials that such companies face as they grow, this research serves as guidance for such organisations in the periods of turbulence and high levels of uncertainty during organisational growth. The findings from this thesis can benefit the case company, Oatly, by extending knowledge on the current and possible sustainability implications of its growth. Moreover, this work can be of interest to business sustainability consultants in case they are seeking a well-structured and comprehensive overview of the problems that their clients are facing or anticipate. Finally, policy-makers and investors interested in supporting sustainable business

practices can gain valuable insights into the scope of aspects and areas that should be considered in the process of nurturing the growth of sustainable entrepreneurship.

## **1.6 Disposition**

Hereafter follows the literature review (Chapter 2), focusing on investigating the nature of sustainability-driven entrepreneurship (Section 2.1), growth of SMEs (Section 2.2), and consequences of growth of sustainability-driven businesses (Section 2.3). The findings obtained through the literature review are summarised in the last section of the chapter (2.4), where the proposed analytical framework and the process of its development is presented.

This is followed by a chapter outlining the methodology used to conduct the research (Chapter 3). The chapter presents the methods used to collect and analyse the data obtained from the single case study and outlines the strengths and limitations of the chosen methodology.

The results and analysis of the data obtained from the conducted interviews and sustainability report review are presented in Chapter 4.

Chapter 5 presents the discussion of the results obtained through the empirical research in comparison to the findings from the existing academic literature. The Discussion chapter also includes reflections made on the analytical framework, methodological choices and generalisability of the results.

Finally, practical implications and recommendations for future research will be outlined in the Conclusion chapter (Chapter 6).



## **2. Literature Review and Analysis**

The aim of this literature review is to identify the main characteristics of sustainability-driven firms. Additionally, the influence of growth on sustainability credentials discussed in existing research has been explored and analysed. Finally, the chapter presents a conceptual framework built on the results of the literature review.

### **2.1 Sustainability-Driven Enterprises**

Growing environmental threats and social concerns motivate policy-makers, academia, and the public to raise attention towards the investigation and implementation of more sustainable practices. Business in this context has mostly been seen as a cause for the occurring environmental and societal problems (Carson, 2002; Cohen & Winn, 2007). Nevertheless, over time, public concerns have also resulted in an opportunity for companies to embed sustainable principles in their products, technology, or operations (Willard, 2012; York & Venkataraman, 2010). This section is devoted to the theoretical discussion on the definition of sustainability-driven enterprises, how they differ from conventional businesses, and what, according to existing academic research, can be considered their main characteristics.

#### **2.1.1 Definition**

The emerging stream of academic research on sustainability-driven entrepreneurship is still in the process of conceptualising this type of business. Some studies identified that the concept has arisen from the interpretation of entrepreneurial action. According to Mitchell et al. (2002), it “is about individuals who create opportunities where others do not, and who attempt to exploit those opportunities through various modes of organizing.”(p. 96). Parrish (2008) synthesises the ideas on the definition of entrepreneurship as “intentional acts of new value creation in which opportunities are created and realised through various modes of organizing” (p. 9).

In this regard, in a sustainability-driven business model, the opportunity creation can be based on rising environmental and societal concerns. Some scholars approach this from the angle of economic theory, emphasizing that sustainability entrepreneurs use the technological and organisational innovation to overcome market failures, such as inefficient firms, externalities, flawed pricing mechanisms and information asymmetries as a source of entrepreneurial opportunity (Cohen & Winn, 2007; Dean & McMullen, 2007). All these flaws are also associated with negative environmental and social applications. Therefore, sustainability-driven firms can generally be defined as for-profit organisations that together with high economic performance pursue an environmental and social mission.

Since the topic is still considered emerging within academia, there is no single term that would describe such enterprises. Table 2-1 illustrates the spectrum of terms and definitions used by researchers to describe enterprises with strongly embedded sustainability values.

Table 2-1. Terms associated with sustainability-driven enterprises identified in the academic literature

Term	Definition
Sustainability-driven companies/enterprises	<p>“Companies that embrace the concept of sustainability in their strategies.” (Albino et al., 2009, p. 84)</p> <p>Companies, that “rather than focusing only on reducing the negative social and environmental impacts of business activity, seek to create social and environmental improvements through their practices and products.” (Haigh &amp; Hoffman, 2011, p. 7)</p>
Mission-driven companies	<p>“A for-profit enterprise that seeks to simultaneously meet profit goals and social and environmental goals that reflect the values of its owners.” (Russo, 2010, p. 5)</p>
Social enterprises	<p>An organisation that “entails the integration of social welfare and commercial aims in its core” (Wry &amp; York, 2017, p. 3)</p> <p>“Social enterprises seek to solve social problems through business ventures. They combine the efficiency, innovation, and resources of a traditional for-profit firm with the passion, values, and mission of a not-for-profit organisation” (Smith et al., 2013, p. 408)</p>
Hybrid organisations	<p>Organisations, that “couple economic profitability with social and environmental sustainability.” (Hoffman et al., 2010, p. 7)</p>
Green businesses and ecological enterprises	<p>Companies with the focus “on improving the environment in which businesses are operating and initiating environmental and societal changes by means of entrepreneurship.” (Gast et al., 2017, p. 47)</p>
Companies with conscience	<p>Businesses built specifically to foster social change as well as turn a profit (Rothman &amp; Scott, 2004)</p>

As can be seen from the definitions provided in Table 2-1, many of the terms have almost identical meanings. The main commonalities are that these types of enterprises combine the elements of for-profit and not-for-profit worlds and have a strong aspiration to improve environmental sustainability and social welfare.

### 2.1.2 Sustainability vs. Commercially-Driven Enterprises

Existing literature on social and sustainable entrepreneurship presents an ongoing debate around the question of whether sustainability-driven enterprises should be studied as part of entrepreneurial theory, or as a field in its own right (Austin et al., 2006; Dacin et al., 2010; Doherty et al., 2014). The key element to answering this question is embedded in the need for distinguishing such enterprises from conventional profit-driven forms of entrepreneurial activity. Scholars have been discussing the differences between sustainability-driven and

conventional enterprises through the lens of organisational goals, innovation capacity, approach to resources, and long versus short term planning and decision making.

Some researchers emphasise that the most significant difference between sustainability-driven enterprises and conventional commercial entrepreneurship is in the goals and mission that a company prioritises. While commercially-driven organisations are mainly pursuing profit maximisation, sustainable enterprises see their mission in driving social change and solving social or environmental problems (Austin et al., 2006; Certo & Miller, 2008; Chambers, 2014). Therefore, commercial entrepreneurs intend to create value only for their shareholders, whereas sustainability-driven companies focus on creating value and improving the well-being of their stakeholders. Nazarkina (2012) noted that sustainability-driven enterprises' contribution to environmental preservation and welfare of the society is based on their innovation capacity. However, many scholars argue that any entrepreneurial activity, in essence, contributes to the creation of employment opportunities, training, and promotion of economic growth, which in many ways ensures positive societal benefits (Hitt et al., 2011). Chambers (2014) emphasised another aspect of the debate, which implies that conventional for-profit organisations do not always focus only on achieving economic growth. Many companies that are considered typical commercial-driven entrepreneurial firms, such as Microsoft, Unilever, Facebook, and L'Oréal emphasise their intentions to contribute to tackling rising societal and environmental issues by developing a sustainability strategy and recognizing their important roles in creating and driving social change (Bergin & Charuschanyawong, 2018; Chambers, 2014; Mirvis, 2008; Nazarkina, 2012; Wickert et al., 2017). While focusing on innovation within their product or production processes, they often indirectly contribute to increasing social welfare and environmental sustainability.

According to Austin et al. (2006), socially or environmentally-driven enterprises are usually associated with a broader range of innovative and financial opportunities since they are driven not only by the economic benefits but are also grounded in social and environmental issues that imply a long-term approach to planning based on the long-term satisfaction of societal needs. Nevertheless, many scholars argue that the difference between commercially driven and sustainability-driven companies in this regard is not significant since in real life both types of business models face almost the same struggles while attracting seed capital and employees at the stage of start-up (Chambers, 2014; Lumpkin et al., 2013). At the same time, long-term planning and vision are often incorporated by the commercially-driven enterprises in order to ensure stability not only in profit-making but also in their relationship with employees and partners (Chambers, 2014).

Overall, the distinction in the core mission and goals, opportunities and resources, and long-term planning approach between conventional firms and sustainability-driven enterprises is blurred and presents a subject of ongoing debate in academic literature. However, what seems to be the area where a clear distinction can be found is the tensions and dilemmas which occur as the organisation is undergoing change. Conventional for-profit businesses' concerns are built around the "growth vs. survival" tension, whereas social entrepreneurs more often face the dilemma of choosing between economic profit/stability and the retention of social and environmental mission and values (Dacin et al., 2010).

### **2.1.3 Characteristics of Sustainability-Driven Enterprises**

Although, as has been identified in the previous section, it is hard to draw a distinction between conventional firms and sustainability-driven enterprises, most of the sustainable entrepreneurial firms are characterised by a range of commonalities.

**Core values and mission.** Sustainability-driven enterprises are characterised by the established mission focused on improving various aspects of social well-being and environmental preservation. The core values of such companies are usually associated not only with the increase of positive change but also with the effort to minimise their social and environmental impacts (Choi & Gray, 2008). That is why while undergoing changes, such enterprises consider the consequences of the changes not only for their economic stability but also for their environmental and social performance (Dacin et al., 2010; Schaltegger & Wagner, 2011).

**Long-term vision and planning.** Since the core values of sustainability-driven enterprises are strongly linked to the objectives of social change, decision-making process and planning is done for more extended time horizons (Hoffman et al., 2012)

**Founder's values.** The majority of initial business ideas and concepts which sustainability-driven enterprises are founded on originate from the founder's individual values and idealistic desires (Cohen & Winn, 2007). In their study, Choi and Gray (2008) note that the factor that usually motivates the founders to start their companies is associated with making a living while making small social changes, rather than with purely economic incentives. Interestingly, the results of Choi and Gray's empirical study helped the authors conclude that many sustainability entrepreneurs "might never have started their sustainable business if they had known the challenges involved" (Choi & Gray, 2008, p. 562)

**The sustainability message.** Often, the sustainability practices or credentials of the product in sustainability-driven companies are characterised by a strong link to the sustainability message the company associates itself with. It allows the company to successfully promote and differentiate its product on the market (Choi & Gray, 2008). Moreover, for this reason, the growth of such companies is seen as an essential means of market transformation towards a more sustainable future since it lets the company disseminate the message among the more substantial amount of people (Nazarkina, 2012).

**Selectivity in resource acquisition.** When it comes to attracting financial and human resources, sustainability-driven enterprises are more careful in selecting new investors and employees. This can be explained by the higher risk of undermining or diluting the initial sustainability values and culture when the more traditional employees, managers, or investors with for-profit thinking are on board (Choi & Gray, 2008; Nazarkina, 2012).

**Care for employees.** Since sustainability-driven enterprises usually originate from the founder's intention to make a world a better place, by tackling social and environmental issues, the employees hired on the initial stage work in a friendly environment with a more personal approach where care for staff well-being is essential (Choi & Gray, 2008). When such companies grow and step in to the game of "big market" they often experience the need to exploit their employees and sometimes introduce more layoffs which may cause a lot of concerns and crises in the cultural identity of the company (Mamao, 2011; Nazarkina, 2012).

## **2.1.4 Sustainability-Driven Business Model**

In their research, Hoffman et al. (2012) introduce a comprehensive sustainability-driven business model of hybrid organisations outlining the characteristics of such companies. The model indicates how hybrid organisations create positive change at multiple levels through their organisational structure and their relationship with main stakeholders. The model has three principal elements: social change as organisational objective; mutually-beneficial relationships with suppliers, communities, employees, and customers; and progressive interaction with markets, competitors, and industry institutions.



Figure 2-1. The Hybrid Organisation's Sustainability-Driven Business Model

Source: Adapted from Hoffman et al. (2012).

As depicted in Figure 2-1, the first level, “Social change as an organisational objective”, incorporates three elements: strong social and environmental values embedded in the mission of the organisation; positive leaders who besides taking care of economic stability and growth of the organisation embody the sustainability-inspired culture and strong social values that drive their employees and the company towards creating positive change; longer-time horizons and higher patience when it comes to decision making on growth and acquiring resources (Hoffman et al., 2012).

Mutually beneficial relationships established with the company’s suppliers, local communities, and customers are justified by the company’s intention to “internalise the enrichment of natural environmental systems and develop close relationship with external constituents” (Hoffman et al., 2012, p. 11). They invest in building more personal relationships, communicating their values and their approach to their mission as well as demonstrating a commitment to support their suppliers, communities, employees and customers beyond those of conventional profit-driven competitors.

Progressive interaction with markets, competitors, and institutions is used by hybrid organisations to promote more sustainable practices and products beyond their niche position in the market. They see value in changing markets, motivating their competitors to introduce more sustainable solutions and products, and instead of influencing market institutions to create entry barriers, hybrids work with industry groups and government agencies to encourage entry (Hoffman et al., 2012).

## 2.2 Business Growth of Sustainability-Driven Enterprises

Business growth can be defined as the consequence of the entrepreneurial activity and strategic choices as well as the structural characteristics of the external environment where the firm is operating (O’Gorman, 2001) which can result in an increase in sales, production volumes, number of employees, customers or market share (Davidsson et al., 2010; Nazarkina, 2012).

In the centre of this research are small sustainability-driven enterprises that are experiencing rapid growth. Hence, relevant academic literature on small and medium enterprises’ growth has been explored and reviewed. The attempts to investigate SMEs’ business growth has been undertaken for decades (Davidsson & Delmar, 1997; Gilbert et al., 2006; Lewis & Churchill,

1983) and covers various dimensions on the topic: the main challenges and constraints for such companies to grow (Beck & Demircuc-Kunt, 2006; Zajko, 2017), growth factors and determinants (Davidsson et al., 2005; Dobbs & Hamilton, 2007), and how growth can be defined and predicted (Davidsson et al., 2005).

In the studies on sustainability-driven firms, the authors have introduced the concept of sustainable or balanced growth (Dwertmann & Kunz, 2012; McAdam & Leonard, 2003; Meissner & Komba, 2012; Nazarkina, 2012). The concept implies that companies see organisational growth not only as a means of surviving and improving economic performance but also pay much attention to how to scale-up the positive societal and environmental change. According to Chambers (2014), there are two types of growth in the context of sustainable enterprises. If the sustainability-firms put financial goals over the intention to improve and disseminate their social and environmental mission, this type of growth can be referred to as conventional growth. In contrast, if the primary motivation to grow is to increase the company's positive environmental and social impact or substantially decrease the negative one, then such growth is called "scaling up". The author noted that these two types of growth often do not happen in parallel since the increase in sales or profits does not imply the improvement in social value, as well as social value does not always bring financial benefits.

Some authors argue that the phenomena of growth should not be defined and measured only through the increase in sales, production, and employees but rather be seen as a complex multidimensional phenomenon which is determined by internal organisational development, increased complexity of organisational structures and changes in ownership and finance structure (Achtenhagen et al., 2010; Wright & Stigliani, 2013). Since this thesis is not exploring the processes shaping and driving growth but rather is focusing on the consequences of growth, in this research, growth is referred to as a significant increase in production volumes, employee numbers, and the complexity of organisational structures.

### 2.2.1 Growth Strategies

Sustainability-driven entrepreneurs use various growth strategies based on their motivations to grow which is often associated with their aspiration to create jobs, improve their innovative capacity and drive and deliver positive change and message by covering new markets and reaching out to more customers (Chambers, 2014; Nazarkina, 2012; Roelofsen et al., 2015). The growth strategies that have been defined and analysed in the literature on sustainability-driven SMEs are as follows:

1. *Organic growth* is a growth strategy that relies on a company's resources and capital and is achieved by adding volume to the existing activities. Some scholars have identified that organic growth is usually preferred by companies with a low "willingness-to-grow" and characterised by a higher rate of survival (Chambers, 2014; Wiklund et al., 2003). However, it takes more time and may lead to decreasing innovative capabilities by making companies inert and blind to new opportunities (Vermeulen & Barkema, 2001).
2. *Acquisitive growth and sell-outs* describe the strategy according to which one firm acquires another firm. In the case of sustainability-driven SMEs being acquired by a bigger company (sell-out strategy) is more common and allows them to get access to new resources, markets, networks, and customer groups (Chambers, 2014; Nazarkina, 2012; Wiklund et al., 2003). Nevertheless, this strategy is often

associated with high reputational risks, organisational culture crises, and mission drifts (Graebner et al., 2010; Mirvis, 2008; Nazarkina, 2012; Wickert et al., 2017).

3. *Hybrid growth* strategies encompass such approaches as strategic alliances, partnerships, franchising, and licensing. It usually provides the opportunity to reach out to new markets and create new revenue streams while acquiring better knowledge about local markets and hiring more competent staff (Chambers, 2014; Nazarkina, 2012; Roelofsen et al., 2015; Tracey & Jarvis, 2007). In the core of hybrid growth, there are contract-based collaborations and arrangements with partners (strategic alliances) or with local trademark or product users (franchising and licensing). This type of growth is considered riskier than organic growth since it can result in partners and franchisee's opportunistic behaviour (Nazarkina, 2012).

### 2.2.2 Stages of Growth

Existing academic literature explores stages of SME's growth through the firm life-cycle theory. According to this theory, companies develop and grow through stages that correspond to various factors related to the organisational structure and industry context (Hanks et al., 1994). In order to structure the empirical data, researchers have created multi-staged models which help identify and predict particular challenges and opportunities companies face whilst growing (Hanks et al., 1994; Kazanjian & Drazin, 1989; Quinn & Cameron, 1983; Scott & Bruce, 1987; Swanson & Baird, 2003; Tam et al., 2001).

More recent studies outline the disadvantages of already existing models and suggest improved versions of them. Yazdanfar and Öhman (2014) summarised the criticisms of existing life-cycle models in five main categories:

- Lack of empirical applicability and validation
- Excessive focus on symptoms and not explanations
- Focus on one-way development ignoring regression
- Linearity
- Growth and development are characterised by the increase in sales and number employees with no consideration of value added or destroyed (p. 556).

One of the most commonly used and discussed SME growth-stage models has been introduced by Scott and Bruce (1987). It comprises five stages of a company's growth (see Table 2-2). The model outlines particular challenges and crises that should be anticipated at each stage of growth. The model and challenges it illustrates have been also discussed in the context of sustainability-driven enterprises (Dobson & Swift, 2008; Roelofsen et al., 2015).

Table 2-2. Life-cycle stages of SME

Stage	Description	The Most Likely Crises
<b>Inception</b>	The foundation, functional emphasis and culture of the company are largely based on the founder. It is managed by his/her direct supervision and financial recourses are usually acquired from friends and relatives.	<ul style="list-style-type: none"> <li>- The need to switch from the company and product establishment to profitability. New demands and opportunities have to be continuously searched for and used.</li> <li>- Administrative demands (formalisation of processes and record-keeping) have to be taken care of. Often, the founder is not skilled in this area or tends to ignore it.</li> <li>- Due to increased activity and lack of time resources the change in managerial style has to be considered. More delegation should be considered.</li> </ul>
<b>Survival</b>	Since over time, more capital is needed, this stage is characterised by changes in financial structures. Loans from banks and other formal institutions are common at this stage. The product line is vastly limited with growth coming from expansion in other markets.	<ul style="list-style-type: none"> <li>- Overtrading (or uncontrolled growth due to rapidly rising demand for the product or service)</li> <li>- The increased complexity of expanded distribution channels</li> <li>- Change in the basis of competition (shift to price competition)</li> <li>- Need for information and control systems</li> </ul>
<b>Growth</b>	This stage is characterised by a growing need for coordination between the managers of functional units, more formalisation of processes and the increased need for information systems. Some founders may be able to sell the company prior to the next stage. Research and development are employed to expand the product range.	<ul style="list-style-type: none"> <li>- Entry of larger competitors. To maintain and increase the market share in the presence of larger competitors, which usually take advantage of economies of scale, a considerable investment of time and resources in product development will be required.</li> <li>- The demands of expansion into new markets or products which will stretch both managerial and financial resources. This will require a shift from an entrepreneurial to professional approach</li> </ul>
<b>Expansion</b>	This stage usually requires strong budgetary control, formalised management report and accounting systems. Investors are used as source of long-term funds needed to maintain growth.	<ul style="list-style-type: none"> <li>- Crisis of culture due to changes in company politics. Professionals become more involved in the company's operation than the founders.</li> <li>- The need for external focus (on customer needs and industry environment) due to intensified competition</li> </ul>
<b>Maturity</b>	In this phase the company continues growing. The main investments go into marketing efforts, production facility maintenance and continuous improvement. The managers or founders are under pressure from shareholders to ensure the future success of the company.	

Source: Adapted from Scott & Bruce (1987).



## 2.3 Effect of Business Growth on Sustainability Credentials

The academic literature is abundant with studies on SME's challenges to growth. However, the influence of the company's growth on its environmental and social credentials has been explored by only a few researchers.

The existing research on the consequences of growth in the context of sustainability-driven enterprises often emphasises the negative aspects of growth, claiming that most of them are linked to tensions arising from the duality of social enterprises (Smith et al., 2013; Tracey & Phillips, 2007). These tensions occur when the hybrid nature of such firms (a combination of traditional for-profit elements and strong sustainability vision and values) causes contradictions and inconsistencies in goal setting and strategies to achieve them (Dees, 2012; Jay, 2013; Margolis & Walsh, 2003; Smith et al., 2013; Smith & Lewis, 2011).

Many sustainability-driven enterprises perceive growth as a means for increasing their social impact (Colby et al., 2004; Nazarkina, 2012) and often choose growing fast without thorough consideration of the possible impact that the growth-related changes in the organisational structure and culture can have on the initial sustainability credentials of a company. As Austin et al. (2006) noted in their study on social and commercial incentives within social enterprises, "unbridled growth can be a drain on the organisation's talent and resources, and can even undermine existing successes. In approaching any type of growth, whether expanding the range of services to geographic expansion through replication, a social entrepreneur must identify the relevant risks and must approach all growth opportunities with disciplined, strategic thinking." (p. 375).

According to some scholars, the umbrella-challenge that sustainability-driven enterprises encounter while growing is mission drift which can be defined as a shift of a company's attention from social mission and values to traditional for-profit approach to goal-setting and mission statement (Battiliana et al., 2012; Chambers, 2014; Rabi, 2017). Mission drift can cause tensions, trade-offs, and issues in many areas of a company's sustainability work. Several real-life examples of mission drift are summarised below.

**Ben & Jerry's.** The case of Ben & Jerry's has been widely discussed by research on mission drift and CSR-identity crisis (Mirvis, 2008; Nazarkina, 2012; Weinberg, 1998; Wickert et al., 2017). The company was founded in 1978 in Burlington, Vermont, and adopted strong environmentally and socially friendly practices in their operations by supporting local farmers and paying close attention to employee's well-being. Over time, Ben & Jerry's' growth resulted in controversies and broken promises in the relationship with their suppliers. In 1992, a contract with one of their bakeries was terminated due to low revenues, leaving the bakery with a significant amount of stock that had been ordered but not collected. The bakery was also left with half a million dollars of loans used for the production equipment (Weinberg, 1998).

Particular emphasis in the studies has been made on Ben & Jerry's' acquisition by Unilever in 2000. According to Mirvis (2008), the acquisition process was started with the promise to keep the marketing and cultural autonomy of the bought company. Nevertheless, quite soon after the acquisition, "Unilever undertook massive layoffs at the B&J [Ben & Jerry's] headquarters; converted B&J's fun-and-funky website to corporate control and installed one of its own marketers as general manager." (p. 112). These actions significantly undermined the relationships with early employees and, most importantly, resulted in the disruption of long-term partnerships with local suppliers due to the moving of the manufacturing activities to another state (Mirvis, 2008).

The company's growth through an acquisition led to the organisation culture crisis and clashes between old employees' values with the vision of Unilever. As Nazarkina (2012) noted, in their 2004 sustainability report, Ben & Jerry's admitted: "We are beginning to look like the rest of corporate America" (p. 111). Mirvis (2008) provided an opinion of one of the employees: "When I started here it seemed like the product and social missions were upfront and the economic mission took care of itself. Now it's all about money." (p. 113).

**Body Shop.** Founded in 1976 as a small local shop offering cruelty-free and fair trade products for skin and hair, the Body Shop has become an international corporation with about 3,000 stores in 69 countries (The Body Shop, 2018). The Body Shop was considered one of the iconic examples of green businesses up until 1994 when they faced allegations of not following their own claims and practices related to their animal testing ecolabels and products being not as natural as advertised (Weinberg, 1998). As was mentioned in the study by Martin et al. (1998), the company's rapid growth resulted in difficulties to "hire and retain a demographically and ideologically homogeneous group of employees from the local labour market." (p. 463) and decreased the company's ability to maintain the values of caring and nurturance among the employees.

**BioDistri.** In their research, Bérard and Saleilles (2016) have explored and analysed the process of a company's transition from an "idealistic" company to a "high-growth" enterprise. This transition is characterised by employing some strategies and actions that are typical for for-profit driven firms in order to grow and succeed. The study introduces the case of BioDistri, a French pioneer in organic vegetable distribution. The ambition to grow and increase the market share has resulted in attracting an investor, after which an economic value and profitability became a greater concern. Based on the case, the authors outlined the main changes that mission-driven companies face while growing:

- In order to succeed and compete against conventional competitors, the company had to hire professionals with a strong corporate mindset (graduates of business schools). Many of the early idealistic employees were not promoted to the level of management staff because they lacked the conventional business skills that the fast growth required.
- New circumstances required the company to practice a combination of two organisational learning techniques: exploration (creation of new products, knowledge and expertise) and exploitation (increasing use of existing knowledge and expertise). The former is usually associated with companies with a strong social mission, whilst the latter is usually employed by traditional for-profit organisations.

The challenges associated with these changes, as the study demonstrated, are the need for coordination of new employees that might not share the sustainability values of the company. This can bring even more controversy when such employees are hired for managerial positions where the decision-making process can be shifted in favour of purely commercial goals. The formalisation of specific structures and processes has been seen as an inevitable consequence of the growth, which in some cases (e.g., the split of one department in two) resulted in a lack of innovative capacity and employees' ability to see a bigger picture. Another problem the company faced was associated with the contradiction between one of their principles of "working with customers or suppliers that do not have socially reprehensible behaviour" (p. 19). In addition, the engagement of a financial investor and reduction of the founder's power base undermined the company's spirit (Bérard and Saleilles, 2016).

Some studies went beyond a case description and presented a more systematic analysis of similar situations where they managed to identify common growth-related challenges or tensions. Mamao (2011) conducted an empirical study to explore the tensions hybrid organisations face as they grow by using Hoffman's "Hybrid Organisation's Sustainability-Driven Business Model" (Figure 2-1). The tensions identified are presented in Table 2-3.

Table 2-3. Tensions that hybrid organisations face as they grow

<b>Tensions (Mamao, 2011, pp. 77-79)</b>	<b>Interpretation</b>
<b>Deep sustainable values embedded in the organisation vs. Green brand value as a marketing ploy</b>	While growing, companies need to meet the expectations of a larger number of customers who may not share the company's core values
<b>CSR as a core value of the company vs. CSR represented by the initiatives of a separate department</b>	The extent to which the social and environmental values are embedded in the organisational mission and operations may change as the company grows. This may challenge the definition of hybrid or social enterprise. Should any company with a CSR department be considered a hybrid organisation?
<b>Shareholder vs. Stakeholder values</b>	The presence of new investors, IPO or acquisition can significantly undermine the company's initial commitments to its stakeholders
<b>Old vs. New leadership values</b>	New executive leaders can be more experienced in commercial aspects while not share the sustainability values of the founder and the company as a whole
<b>Centralised vs. Decentralised leadership style</b>	The excessive dependence on one founder can make his/her leadership style too prominent in the company culture
<b>Short term vs. Long term decision making</b>	Sustainability-driven companies that are on track for fast growth might switch their focus from long-term goals to short-term results
<b>Suppliers are not able to meet orders or keep the same growth rate</b>	The early suppliers cannot meet the growing volume requirements which requires search for new supplying partners
<b>Suppliers with different "philosophies"</b>	Often, new suppliers who meet the volume and technical requirements do not share the company's sustainability values
<b>Celebrating employee values vs. Implementing employee policies</b>	Company's growth and need for more formalisation and control policies can result in the increase in layoffs and stricter discipline policies
<b>Current employees question the rationale for economic growth</b>	Some of early employees with strong environmental and social values may not appreciate and support the decision to grow

<b>Employees aligned with hybrid values vs. Not aligned</b>	New employees with strong commercial credentials and for-profit mindset may not support the sustainability values of the company
<b>Loyal clients identified with the values of the company vs. Need to increase customer base</b>	New customers may not support the sustainability vision and values of the company and expansion of the client base can be seen as abandoning the interests and needs of the company's early customers
<b>Education of the market vs. increasing competition</b>	The presence in bigger market with more and bigger competitors can shift focus from market transformation towards competitive differentiation and price competition

Source: Adapted from Mamao (2011).

In her study, Nazarkina (2012) has identified and summarised the sustainability implications associated with different growth strategies (organic growth, equity sale to strategic investors, acquisitive growth, franchising, licensing, and strategic alliances). According to the author, the main negative consequences that growth may have on sustainability credentials are as follows:

- Limited ability to create and distribute sustainability innovations
- Intensified employee layoff policies
- Loss of control over the company and its initial sustainability values
- Termination of contracts with long-term suppliers
- Opportunistic behaviour of new contracting partners
- Dilution of commitments to societal and environmental change

The author claims that the sustainability-driven company's growth can be both sustainable and unsustainable regardless of the growth strategy chosen. Sustainability entrepreneurs should "think holistically and compare the specific organisational and financial arrangements of growth strategy alternatives and their wider social and environmental sustainability implications" (p. 117).

Another valuable contribution to the topic has been made by Roelofsen et al. (2015) where the authors concluded that the CSR-identity of sustainable enterprises can be influenced as a consequence of their fast growth. For exploration of the growth-related barriers the authors used the crises outlined by Scott and Bruce (1987) (see Table 2-2).

The above-mentioned studies not only proved that business growth could negatively affect the sustainability credentials of the sustainability-aspired firms but also showed that it could benefit the company a lot by opening access to new resources, new revenue streams and providing new opportunities to increase the positive social and environmental change (Mamao, 2011; Nazarkina, 2012; Roelofsen et al., 2015; Smith et al., 2013). Focus on positive influence and avoidance of negative consequences can be achieved if a certain amount of resources is put into a comprehensive analysis of the situation and if the analysis is conducted with careful implementation of the coordination, monitoring, and strategic planning activities (Roelofsen et al., 2015).

## 2.4 Analytical Framework Development

The conceptual framework is based on the results and findings from existing literature on sustainability-driven entrepreneurship and business growth theory. The framework aims to help

analyse the cases of companies with strong sustainability aspirations that face challenges to retain and manage their sustainability credentials in periods of growth. It allows opportunities and challenges that the company’s growth causes to be identified.

While in previous studies the authors used various frameworks to identify the growth-related tensions (Mamao, 2011; Smith et al., 2013) and analyse how different arrangements of growth strategy and ownership influence the sustainability performance of the company (Chambers, 2014; Nazarkina, 2012), the framework developed and used in this thesis is based on two main structures: the areas in which the sustainability credentials are embedded and the factors that cause organisational changes as a company grows (Figure 2-3).

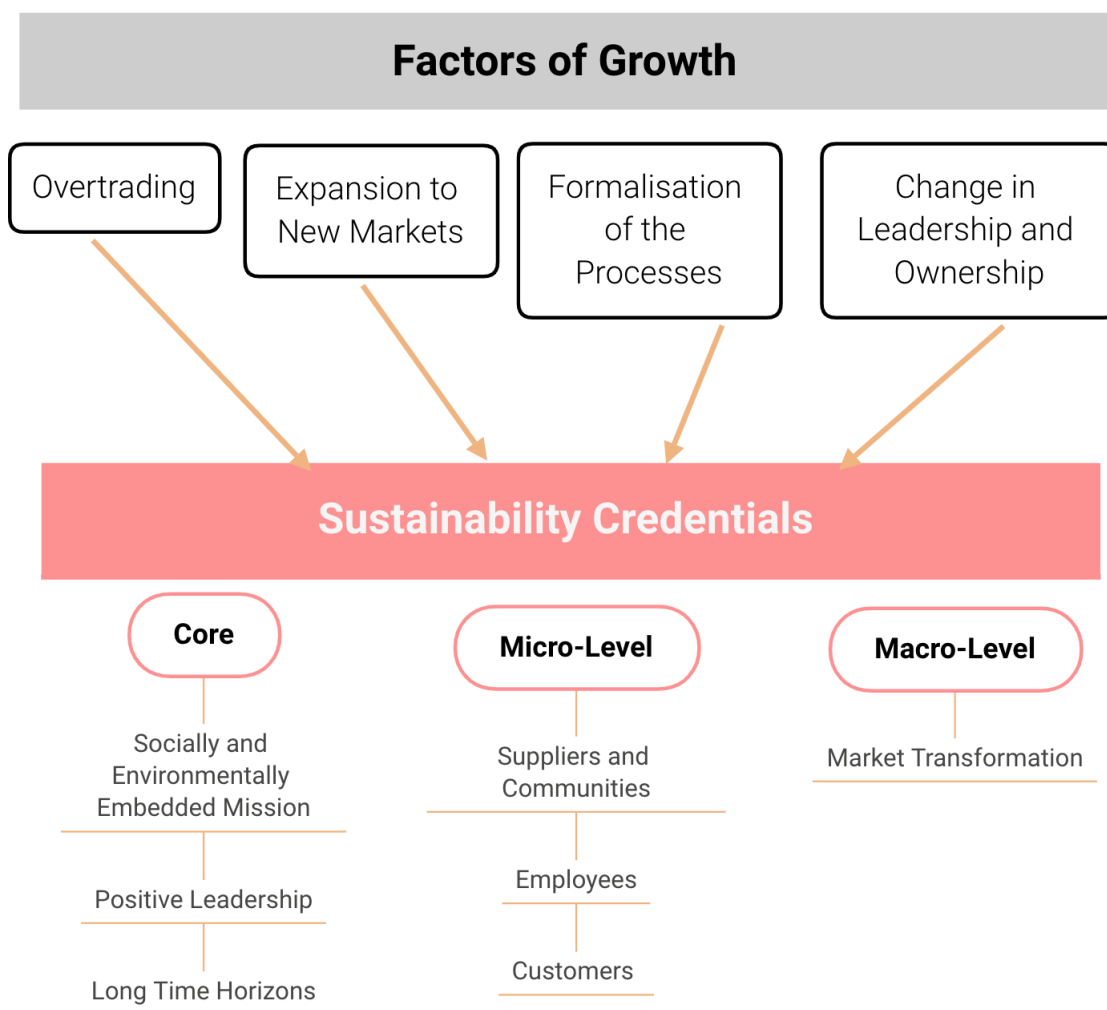


Figure 2-2. Analytical Framework

Source: own elaboration based on the literature review.

The framework aims to help structure the information on a particular case company by mapping out the main sustainability credentials, identify what growth-caused changes the company has undergone and what positive or negative impacts these changes may have on the sustainability work and performance of the analysed enterprise. The structure and the elements of the framework are described in the two following sections.

### 2.4.1 Growth-Related Factors

Following the approach of Roelofsen et al. (2015), in order to define common changes associated with a company's growth, this thesis operationalises Scott and Bruce's (1987) five-stage model, specifically the challenges of growth which were referred to as "the most likely crises" (see Table 2-2). The challenges were defined and interpreted by Scott and Bruce in the context of any type of growing SME. Each challenge was linked to a specific stage of growth. Since this research focuses on sustainability-driven enterprises and their growth not from a life-cycle perspective but rather as one distinct phenomenon, certain adjustments were needed. Roelofsen et al. (2015) categorised the crises into four groups: overtrading (uncontrolled growth), barriers regarding the maintenance and delegation of control, barriers regarding decentralisation and formalisation of structures, and organisational culture crisis (see Figure 2-3). Even though this categorisation helped the authors identify growth-related challenges that firms with strong CSR-identity face, for the aims of this research it was decided to restructure the groups. The list of the growth-related factors, which were incorporated as elements of the analytical framework, is as follows:

1. **Overtrading.** While this concept is commonly used in economic and financial theory as the situation when a business expands rapidly and has a high risk of running into liquidity problems (Peattie, 1999), in the case of sustainability-driven enterprises, it can be associated with periods of rising demand and the company's intension to satisfy it through a significant increase in production rates. This may bring both positive consequences (e.g., unanticipated opportunities to scale-up positive message and change) and negative impact on sustainability credentials (e.g., decision-making in favour of short-term commercial goals while compromising long-term sustainability goals due to lack of time and resources).
2. **Expansion to new markets and products.** This factor is inevitable for most companies. In this research, such changes as increased complexity of distribution channels, a change in the pool of suppliers, cultural challenges associated with opening production sites or offices in new locations, changes in the competition landscape and a need for external focus outlined by Scott & Bruce (1987) were merged together in this group of growth factors.
3. **Formalisation of the processes.** This factor refers to the need for organisational restructuring and encompasses several crises identified by Scott and Bruce (1987), such as a rising number of administrative tasks, pressures for information systems, and a need for decentralisation. Formalisation requires time and professional skills that founders and early employees usually lack (bookkeeping, HR policy implementation, management system development and implementation).
4. **Change in leadership and ownership.** As has been shown in the previously reviewed studies, a company's growth often leads to the attraction of new investors, acquisition process or engagement of new management staff, which may influence the company's management style, strategic view and approach to the initial sustainability mission (Mamao, 2011; Mirvis, 2008; Nazarkina, 2012).

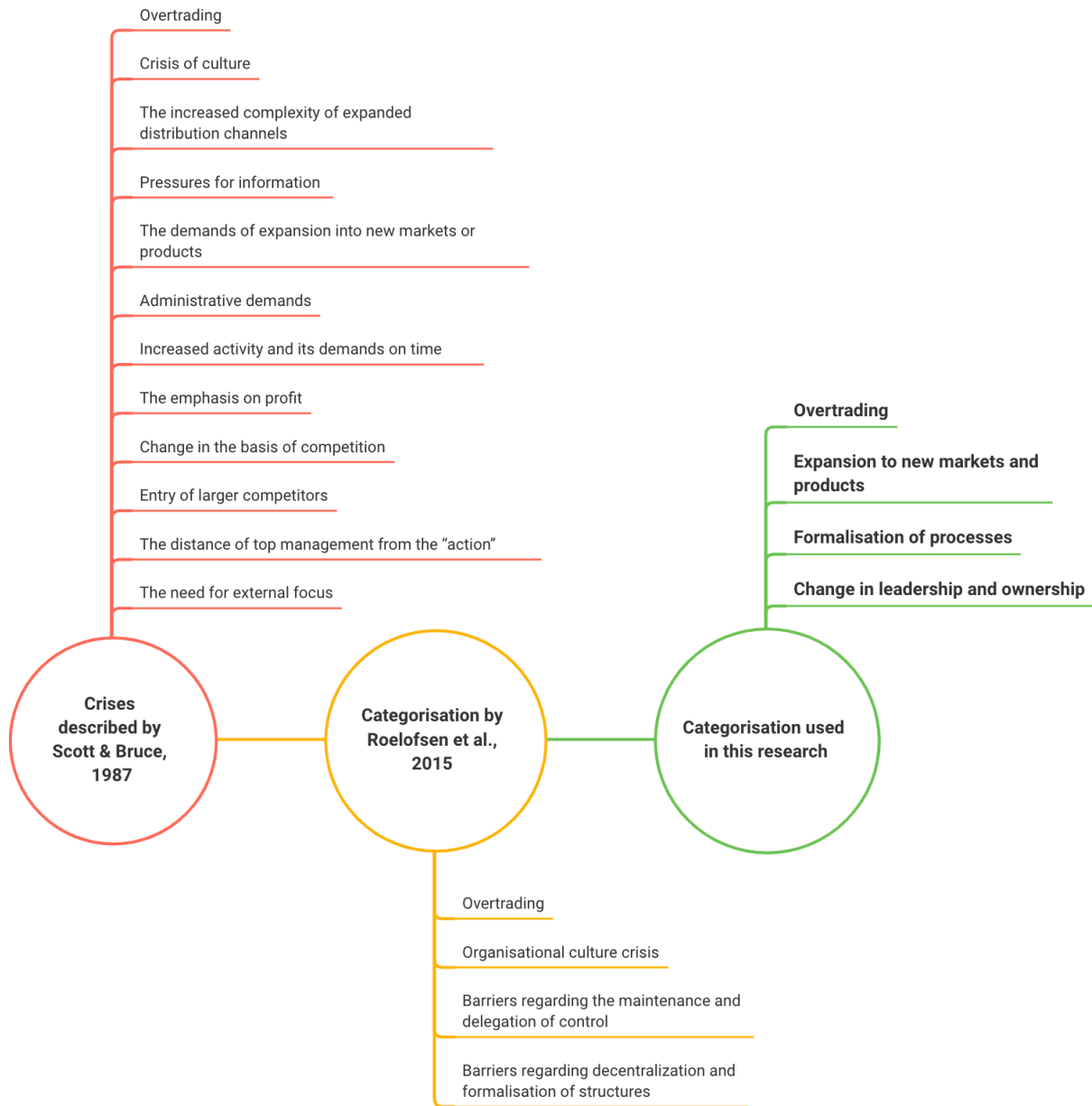


Figure 2-3. Process of identifying and grouping the main growth factors

Source: own elaboration based on Roelofsen et al. (2015) and Scott & Bruce (1987).

Organisational culture crisis, which has been defined as one of the possible growth-related challenges by Scott and Bruce (1987) and Roelofsen et al. (2015) was not included in the list. For the framework developed in this research, the intention is to outline the growth-born factors which could potentially lead to certain opportunities or challenges in the company’s initial sustainability credentials. With regard to this, the organisational culture crisis should be categorised as one of the challenges rather than a factor causing these challenges.

## **2.4.2 Sustainability Credentials**

Sustainability credentials can be identified on many levels: tangible and narrow (introduction of sustainable packaging, implementation of water-saving initiatives in the office), and broad and more conceptual (strong intention to transform the market, commitment to increasing employees' well-being). The study by Mamao (2011) has shown that Hoffman's framework (Figure 2-1) can help identify growth-related tensions in organisations with a hybrid identity. Therefore, this research uses the stakeholder-based sustainability-driven business model to map out the common areas of organisational activities where the sustainability credentials of firms can be embedded. The structure of the model was kept the same except for minor alterations based on the findings from Mamao (2011).

This part of the framework consists of three main levels: Core (which was referred to as "Social Change as Organisational Objective by Hoffman et al. (2012)), Micro (Mutually-Beneficial Relationship), and Macro (Progressive Interactions with Markets, Competitors and Industry Institutions) levels (see Figure 2-2).

**Core level** comprises three areas of sustainability credentials:

**Socially and environmentally embedded mission** which includes such credentials as the prioritisation of environmental or social goals over commercial concerns, the focus on positive innovation, the prioritisation of stakeholder's interests over shareholders' and a strong commitment to minimisation of negative impact (Hoffman et al., 2012; Mamao, 2011).

**Positive leadership** which embeds credentials related to maintaining and improving a sense of purpose among employees through the participative and transformational leadership styles. Founder's, Chief executive officer's (CEO's), or higher managers' personal commitments and values projected on the company's strategy and activities are one of the essential tools of driving the organisational social and environmental mission (Hoffman et al., 2012).

**Long Time Horizons** in decision-making and the ability to prioritise social and environmental goals, which are usually associated with a longer-term timeframe, over the short-term commercial gains, can be seen as one of the fundamental credentials of sustainability-driven firms. Fast growth can shift the company's attention from long-term goals to short-term goal setting and decision making.

**Micro-level** focuses on three main areas:

**Suppliers and Communities.** Activities towards building and maintaining a sustainable and efficient supply chain can be included in this area. Environmentally and socially friendly initiatives such as training programs, continuous communication with local communities, the shortening of supply chains, and the introduction of electric vehicles are examples of sustainability credentials that companies can implement in their operations (Bocken et al., 2014).

**Employees,** as was previously mentioned, are considered the main assets in sustainability-driven enterprises. In order to improve sustainability performance in this area, companies may introduce programs for improving employees' well-being, health, working conditions and dissimilation of sustainability values shared by both early and newly hired employees (Nazarkina, 2012).



**Customers.** As has been noted by Hoffman et al. (2012), companies with a strong environmental and social mission “develop a line of products that represent far more than simply the utility they provide. To their customers, these products are a projection of the values that they mutually share and an opportunity to express themselves through the companies’ positive sustainable identity.” (p. 12). Various actions that enhance these mutually-beneficial relationships, such as brand positioning, education programs and honest and effective communication of the company’s values and mission may be embedded in this area.

**Macro-level** was represented in the model by three elements - building markets for more sustainable products, rousing competition and changing industry institutions (Hoffman et al., 2012). In this research, these elements are merged into one area, **market transformation**, which comprises the company’s efforts aimed to drive the positive change through progressive interactions with competitors and political organisations.

### **3. Methodology**

This section of the thesis describes the reasoning behind the research design choices and selected methods. Overall, this section introduces a step-by-step process that leads to the results, answering such questions as to why a single case study approach was selected, how the data was collected, what the limitations and strengths of adopting this approach were, and what tools were used for data analysis.

#### **3.1 Research Design**

To answer the research question, a single case study method was selected. According to Yin (2009) and Gerring (2004), the case study method is used in order to address “how and “why” questions that require a more explanatory approach. Verschuren et al. (2010) define a case study as “a research strategy in which the researcher tries to gain a profound and full insight into one or several objects or processes that are confined in time and space.” (p. 178). This thesis focuses on one case company to gain a more holistic and in-depth understanding of the relationship between a company’s growth and its ability to retain and reinforce sustainability credentials.

The research process in this thesis was based on a model suggested by Yin (2009) (see Figure 3-1). At the planning stage, the preliminary research and literature analysis were conducted in order to identify a knowledge gap and come up with a relevant, specific and feasible research question (Alvesson & Sandberg, 2011). Based on the explanatory nature of the question, a case study method was selected at the design stage. The strengths and limitations of the chosen strategy were investigated and considered in the following stages. An in-depth literature review and analysis were carried out in order to investigate the findings obtained by other researchers in the field. Performing this literature review enabled the construction of the analytical framework and outlined the characteristics according to which the case company had to be chosen.

After a preliminary investigation, Oatly, a Swedish producer of oat-based products, was chosen as a case company for this research. After thorough consideration of triangulation (Verschuren et al., 2010) and possible sources of empirical data, interviews with the company’s representatives and external experts and a review of the most recent sustainability report (Oatly, 2018) were selected as the primary data collection methods. The interview guide and coding process were designed based on the analytical framework developed in the previous research stage.

Once the data was collected through the interviews and sustainability report and preliminarily analysed, the coding design was revised (including new codes not considered in the framework initially), and content analysis of the report and interview transcripts was carried out. Finally, the areas where the analytical framework could be improved and enhanced were identified.

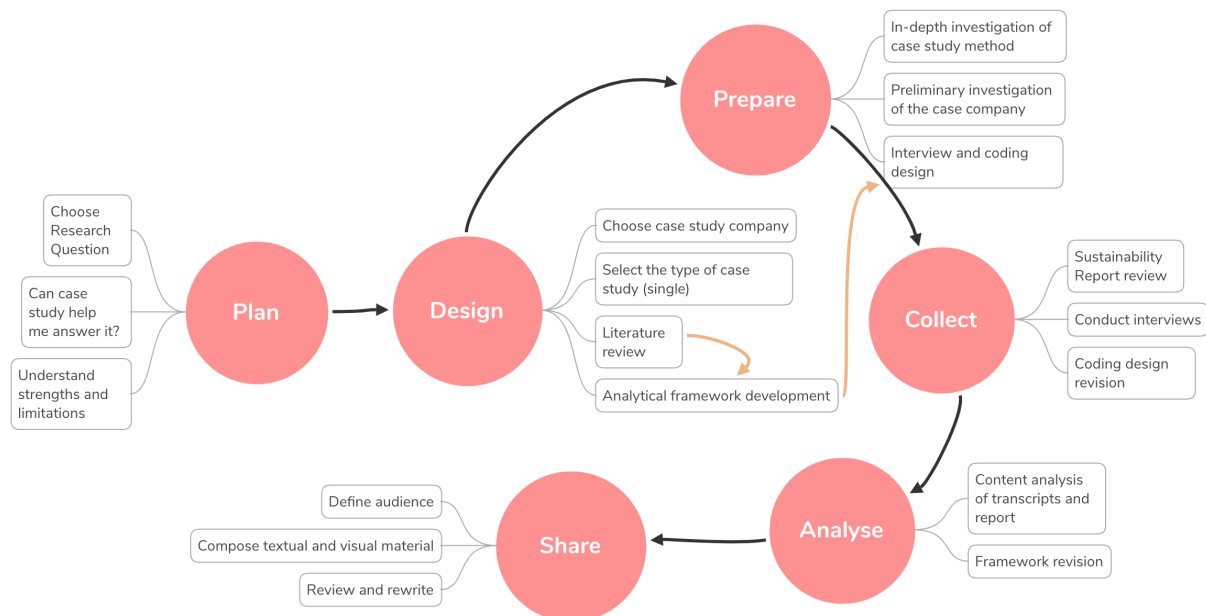


Figure 3-1. The process of the case study research

Source: own elaboration based on Yin's "Doing case study research" process (2009).

## 3.2 Case Study

### 3.2.1 Case Company Selection

When the aim of the research is to develop a knowledge or analytical framework that could be generalised and applied empirically, it is recommended to choose a typical (representative) case (Seawright & Gerring, 2008). There are several reasons why Oatly can be considered a typical case study for this thesis. Firstly, Oatly is a sustainability-driven company that combines a for-profit approach with a strong environmental and social goal to support the global transition towards sustainable food systems (Oatly, 2017, 2018). Secondly, Oatly is a fast-growing company. In the last couple of years, the company has experienced rapid growth as a result of high demand for its products worldwide. The growth of total turnover from 2017 to 2018 was 65% (Oatly, 2018). Finally, Oatly had expressed their particular and active interest in participation in the research to address the issues caused by its rapid expansion and growth both in their sustainability report (Oatly 2018) and via personal communication before the research started.

### 3.2.2 About Oatly

Oatly is a Swedish company founded in 1994 initially under the name of Ceba. The research conducted by the company's founder in the 1980s at Lund University prompted the development of a technology that could turn fibre rich oats into liquid nutritional food. Oatly started with only 5 employees on board but by 2018 had grown to over 290 people working in offices and production facilities in Sweden, the USA, China, the UK, and Germany (Oatly, 2018). The headquarters are located in Malmo, and the main production facility and development centre are located in Landskrona, Sweden. The company demonstrates a strong sustainability profile which is reflected in the company's reports, strategy, and marketing campaigns.

### **3.2.3 Strengths**

The single case study provides an in-depth overview of the issue to inform fast-growing companies with a strong sustainability profile and their stakeholders.

The strengths associated with the single case study as a selected research strategy were emphasised by many researchers. Dyer and Wilkins (1991) argued that single case studies are more helpful in creating a high-quality result by producing a better and more holistic theory compared to multi-case studies. Moreover, according to Gerring (2004) and Siggelkow (2007), single case studies allow the researcher to devote more time to one observation, which results in more effective capturing of the complexity of the researched issue. It allows the implementation of more diverse, in-depth, and intensive methods for generating data (Verschuren et al., 2010).

Moreover, certain strengths are associated with choosing Oatly as a case company. The company provides open access to detailed information on its sustainability work and aspects of growth through its sustainability report. In addition, the opportunity to interview employees in different departments generates more detailed and comprehensive data and an overview of the opportunities and challenges that are associated with the company's growth. This contributed to a better level of data triangulation. Although Oatly, as a company, has country and history specific features, both its growth and sustainability work are spread globally, which improves the generalisability of the obtained results regarding their experience.

### **3.2.4 Limitations**

The criticism that is commonly applied to the single case study strategy is related to its low potential of generalisability. Based on the conclusions of Verschuren et al. (2010) and Gustafsson (2017), there is a reason to expect difficulties in applying the obtained results to companies operating in other industries and other political and geographical environments.

Due to the semi-structured nature of the interviews, it could be challenging to replicate the results in future research. While semi-structured interviews provide more flexibility and opportunity for more in-depth discussions, this method could also reduce the reliability of the case study due to personal bias and differences in the respondents' interpretation of the same questions.

Another limitation identified during the research process is associated with relatively low availability of Oatly representatives during the data collection period due to excessive workload caused by the company's rapid growth amid the Covid-19 pandemic. Overall, 5 interviews with Oatly's employees, 2 interviews with external experts and one interview with the company's CEO conducted by another organisation were used as one of the primary data collection methods. Even though all possible actions were undertaken in order to secure the validity and triangulation of the information, a larger number of interviews could have potentially provided more comprehensive and holistic data and results.

## **3.3 Data Collection**

Oatly's latest sustainability report, 7 semi-structured interviews conducted by the author, and one interview with the company's CEO conducted, recorded and published by another organisation were used as primary sources of data for this research. The list of the sources, together with justifications, are presented in Appendix I.

One-to-one semi-structured interviews (Walliman, 2015) were conducted in person via Zoom<sup>3</sup>. The pool of interview participants included employees working in various departments within Oatly and external experts that gave additional insight into the occurring problems related to Oatly's growth. Some of the data was additionally collected from the company's website and sustainability reports.

The selection of candidates for the semi-structured interviews was determined by snowball sampling (Coleman, 1958; Goodman, 1961). This sampling approach is commonly used by researchers investigating hard-to-reach social groups. According to Atkinson & Flint (2001), the technique of 'chain referral' associated with snowball sampling method "may imbue the researcher with characteristics associated with being an insider or group member and this can aid entry to settings where conventional approaches find it difficult to succeed." By communicating the scope of the research with the respondents, it became possible to engage people working in other departments which gave a diverse range of responses and expertise to provide insightful information on the selected topic.

An interview guide was developed based on the analytical framework (see Section 2.4) covering a wide range of aspects related to the company's growth and sustainability credentials. A full list of questions is presented in Appendix II. All respondents were asked general questions followed by specific questions related to a particular element of the framework selected for each respondent individually, depending on the interviewee's area of expertise and knowledge. Prior to each interview, the respondents were emailed and asked to fill in the consent form (Appendix III) to indicate the preferred reference method (anonymous, by title, etc.) and their consent to being recorded via audio.

Following the completion of each interview, all audio recordings (including the interview with Oatly's CEO) were transcribed via Happy Scribe<sup>4</sup>. Each transcript was reviewed to identify and correct any mistakes that occurred during the transcription process.

### **3.4 Data Analysis**

Following the review of the transcripts, each interview and the company's sustainability report were analysed through the content analysis method, which is widely used by qualitative researchers (Berelson, 1952; Hsieh & Shannon, 2005; Mayring, 2004; Neuendorf, 2016). Directed content analysis (Hsieh & Shannon, 2005) was selected as a primary approach. According to Potter & Levine-Donnerstein (1999), this type of content analysis is applied when "a formal scientific theory can guide the development of the coding scheme by focusing the designers on certain concepts and helping them derive coding rules and values by the way the concepts are defined in the theory." (p. 262). The coding process is illustrated in Appendix IV and V. Firstly, the elements of the analytical framework served as codes (Appendix IV), and all primary data sources were "scanned" in order to identify opinions and statements relevant to each code. The documents were then scanned again to retrieve information on the relation between each growth-related factor and each area of sustainability credentials (Appendix V). Through the process of coding, a new code, "Factors helping retain sustainability credentials", was added.

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<sup>3</sup> Video communication software. (URL: <https://zoom.us> , retrieved in May 2020)

<sup>4</sup> A transcription tool for researchers, journalists, podcasters, and media production companies. (URL: <https://www.happyscribe.co>, retrieved in May 2020)

### **3.5 Ensuring Validity**

In order to ensure the trustworthiness of this research, criteria suggested by Guba (1981) and further elaborated by Shenton (2004) were incorporated. The set of criteria employed consists of credibility, transferability, and dependability. Firstly, the credibility of the research was maintained and improved by adopting appropriate to the aim and type of the research and well-recognised research methods (single case study, snowballing sampling, content analysis approach). Moreover, triangulation was ensured by using different types of data sources (sustainability report and interviews with internal and external experts). Since Oatly has been previously involved in collaborative research projects with the International Institute for Industrial Environmental Economics (IIIEE), early familiarity with the culture of the participating organisation and established trusting relationship between the researched organisation and the IIIEE contributed to the validity of the research. A technique of iterative questioning applied during interviews improved the honesty of the responses. Frequent and consistent debriefing sessions between the author and the thesis supervisor, as well as additional peer review sessions moderated by the faculty staff, helped draw attention to important methodological considerations and underlying challenges of certain choices regarding the research process. The transferability and dependability, which are often associated with the external validity and generalisability (Shenton, 2004), were assured through the in-depth description of the methodology used, and provision of the detailed description of the organisation participating in the study, the number of people interviewed, the dates and the length of interview sessions.

## **4. Results and Analysis**

This chapter presents the findings retrieved from Oatly's sustainability report and via interviews with Oatly representatives and external experts. The findings are structured and analysed according to the analytical framework presented in Section 2.4. First, the analysis of Oatly's main sustainability credentials will be provided. Then, factors of growth that have been experienced by Oatly will be discussed. At the end of the chapter, a consolidated table showing threats and opportunities for retaining Oatly's core sustainability credentials will be presented<sup>5</sup>.

### **4.1 Oatly's Sustainability Credentials**

In order to gain an in-depth understanding of how Oatly's rapid growth influences the company's sustainability performance and aspirations, first, the analysis of Oatly's main sustainability credentials was conducted.

#### **4.1.1 Socially and Environmentally Embedded Mission**

The empirical data showed that in the early days of the company's existence, the purpose was to offer a non-dairy product for lactose-intolerant consumers (Oatly, 2018). According to one of the respondents, the initial idea was to "make something that is better for human beings and the planet" (R8). The focus was on the nutritional value of the ingredients and the plan was to create the ingredients and sell them or the licenses to other companies. Another respondent stated that they "had an idea that this can be produced with a lot less resources than, for example, dairy and we had ideas about sustainability concepts already at that time" (R3), but only with the joining of the current management team in 2013 the idea that the product has a significantly lower impact on the environment was fully framed and incorporated into Oatly's strategy and marketing activities (R2, R3, R8). According to the sustainability report, Oatly's vision encompasses three elements:

1. to be a company that paves the way in the field of sustainability, with dedicated employees and sustainability as the thread that runs through everything we do and all the decisions we make.
2. that all our resources (we're not talking people here, but things like raw materials, energy and packaging) should be sustainably produced, efficiently used, and preferably also reusable or recyclable.
3. to be a driving force in society for the increased production and consumption of plant-based foods.(Oatly, 2018, p. 19)

As was mentioned by the majority of interviewed respondents who work at Oatly, sustainability is placed at the core of the company's operations, and decisions are made with environmental and social implications in mind (R2, R3, R4, R5, R8). Having the mission to tackle climate change through the transformation of the food system, Oatly focuses its strategy on resource efficiency, sustainable supply chain, employee commitment and dissemination of the positive message among the society (Oatly, 2018, p. 21). The company conducts surveys trying to identify the stakeholder's concerns and interests in order to align Oatly's work with them.

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<sup>5</sup> The coding process is illustrated in Appendix IV. The references to specific interviewees are shown as "RX" (Respondent X). The list of the interviewed respondents is presented in Appendix I.

We tried to capture the opinions of younger people, because they're the ones who will actually have to live with the effects of what we do today, plus they will play a major role in driving the transition to plant-based eating that we're pushing for. Anyway, "reducing the climate and environmental impact of our production" ended up at the top of almost everyone's list. And that feels great, because when it comes to what we can do within our business, we were totally thinking the same thing. (Oatly, 2018, p. 68).

Three respondents drew a comparison between Oatly's vision and some of the other companies that actively use the focus on sustainability mostly as a marketing ploy, stating that while others "talk about sustainability as an afterthought" (R2), Oatly puts sustainability at the forefront, and having a product that has high sustainability potential helps them with it (R2, R3, R4).

The sustainability report states that Oatly's sustainability work goes beyond the Sustainability department's responsibility and is executed on a daily basis by the employees who share a strong sustainability vision and values (Oatly, 2018, p. 61).

#### **4.1.2 Positive Leadership**

Oatly's founders started the company as a research-based business with the technology which allows to break down oats into a liquid form offering a more sustainable substitute to cow's milk, rich in nutritional value (R3, Oatly, 2018, p. 6). At that time, the founders realised that the product has high sustainability potential, but it became clearly articulated in the company's vision and strategy only when the current CEO, Toni Petersson, joined Oatly in 2012. He explained his decision to join the company as follows:

The reason why I did this... Well, the main thing is to make this world better. Honestly, that was the reason. . . . I was staying with my family in Costa Rica for a couple of years. . . . we were exposed to climate change first-hand. You can see what extreme drought, extreme rainfall did to human beings and the planet. And I wanted to help. And I'm not a professor and I'm not a scientist or expert of any sorts. So, you know, business was the only way I could do this. So, that was the reason why I was so attracted to Oatly. (R8).

Some respondents described Toni's leadership style as based on "genuine interest in doing something good" (R3) and "successful in creating a company that people will feel pride in working with and want to do the best for it." (R7). In the interview published in the sustainability report, Toni admitted: "We must always have more people working here who are focused on doing the right things than those focused on earning money. It's my job to make sure that remains the case." (Oatly, 2018, p. 83).

#### **4.1.3 Long Time Horizons**

As was noted above, Oatly identifies its mission as being a driver of change in the food industry (R2), which implies supporting a complex and slow societal transition requiring a strong focus on long-term thinking and decision-making. Nevertheless, the change in consumer behavior is happening faster than was expected and now Oatly has taken a deliberate decision to use this "window of opportunity" (R3) and get on the track of fast growth to become one of the global leading brands within vegan products (R2, R5). This decision has caused a significant shift from a focus on long-term goals to short-term decision-making. Oatly acknowledges this shift by stating: "How can we balance short-term business activities with long-term sustainability goals? These are hot topics here at Oatly." (Oatly, 2018, p. 15), and "Although we know our long-term goal is a good one, we can't ignore the short-term effects along the way." (Oatly, 2018, p. 84)



The company emphasises the importance of considering how short-term decisions and compromises they take now will affect the environment in the future.

So we believe we have to find the temporary (if not-so-perfect) production solutions that make it possible to meet the current consumer demand for our products, while we also work to find the pretty-close-to-perfect solutions that will work really efficiently in the long term. (Oatly, 2018, p. 9).

#### **4.1.4 Suppliers and Communities**

Work with the supply chain is one of the key elements of Oatly's sustainability work (R3). According to internal calculations, three main components of Oatly's supply chain – raw materials, transportation, and packaging – are the most GHG emission-intensive areas of the company's operations, accounting for 89% of the total emissions (Oatly, 2018, p. 26)

According to the sustainability report and some of the interviewees, Oatly's intention is to choose partners and suppliers who are passionate about sustainability and share their values with regard to social and environmental responsibility (R3, Oatly, 2018, p. 40). The work with suppliers involves not only environmental aspects such as energy, water consumption, waste management, materials and cultivation practices but also aims to improve the social components. Social implications include working conditions, human rights, safety and equality considerations. Oatly uses various tools, such as code of conduct, sustainability assessment and Sedex<sup>6</sup> membership in order to improve the choice of partners and communication with them (Oatly, 2018).

Oat supply has the biggest share in Oatly's climate impact and, at the same time, is one of the areas of the company's operation where the improvement of the sustainability aspect is challenging (R3). The company buys oats not directly from the farmers but sources them from the oat mills by buying only a part of a bigger pile of oats. Not having a separate flow directly from the farmers complicates the communication with the suppliers and does not allow Oatly to set high requirements for the quality and sustainability credentials of the ingredient (R1, R3). Nevertheless, the now well-established network in Sweden allows Oatly to communicate with farmers directly and help them improve their cultivation practices as well as participate in research projects on the health effects of oats (R3, Oatly, 2018, p. 70). Additionally, one of the company's ambitions is to transfer the Swedish knowledge on sustainable agricultural methods to the American and Canadian rapeseed oil<sup>7</sup> farmers (R2).

Regarding packaging, Oatly works on the increase of renewable content in their packaging materials. In 2018, they replaced a plastic cup used for their ice cream with a paper package, which led to the reduction of the product's climate footprint by 80% (Oatly, 2018, p. 46). One of the respondents confirmed that the company is in the process of building out packaging expertise that will help create more sustainable packaging options in the future including the possibility of using some of the by-products from Oatly's processes (R2).

Due to the still relatively small size of the company and unstable production capacity, Oatly cannot afford to have its products entirely produced at their own facilities. Some of the products

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<sup>6</sup> Sedex is an ethical trade service provider working to improve working conditions in global supply chain. It operates as a networking tool helping companies to improve the sustainability aspects of their supply chain by exchanging ethical data. URL: <https://www.sedex.com> retrieved in May, 2020

<sup>7</sup> One of the ingredients used in Oatly's products; constitutes 9% of the total purchase volume (Oatly, 2018, p. 6)

are produced and packed by external partners (Oatly, 2018, p. 28). Therefore, when it comes to sustainability aspects of transportation, besides the shipment of raw materials and distribution of finished products to the markets, the transportation to and from “co-packers” and other partners should be considered (Oatly, 2018, p. 50). Furthermore, Oatly has an ambitious plan to introduce electric trucks for the transportation of heavy goods for some key routes in Sweden by the end of 2020 (R2).

Another aspect that the company emphasises in its report is the energy sources used by the external partners that help Oatly with production.

Since our partners handle some of our production, we need to work to increase their proportion of renewable energy use, too. . . . In life cycle assessments of our products, we see that the energy sources used by our external production partners play a major role. (Oatly, 2018, p. 30).

Even though energy source is one of the criteria for choosing new partners, at the moment, Oatly cannot set a high bar for their production partners: “to be perfectly honest, we haven’t passed anyone over because of how they get their energy. In order to meet the demand for our products, we’ve simply had to say “yes” even to partners who haven’t come as far as we have.” (Oatly, 2018, p. 30). Nevertheless, according to the company’s statement, Oatly keeps monitoring sustainability performance of their partners and maintaining a dialogue on how it can be improved (Oatly, 2018, p. 30).

#### **4.1.5 Employees**

Oatly considers its employees the most valuable assets:

Our success and development is entirely dependent on dedicated and knowledgeable employees who are thriving in their jobs. We work to ensure that all of our co-workers feel committed to sustainability and we foster a corporate culture in which everyone is allowed to be themselves and contribute their unique perspectives and experiences. (Oatly, 2018, p. 52).

According to the data retrieved from the interviews and the sustainability report, sustainability work in this area focuses on two core elements: care for the employees’ well-being and ensuring that the company’s values and culture are maintained.

In order to ensure employees’ health and safety, the company has introduced certain measures, such as health and safety policy, fire protection policy, occupational health and safety training, lectures on stress management and self-care programs (Oatly, 2018). Additionally, Oatly has an “incident reporting” system that aims to identify the events that could potentially cause accidents and develop preventative strategies to avoid them.

The company’s sustainability report states that one of Oatly’s priorities is work towards gender and income equality among their employees.

Every year we carry out a number of training sessions in Organisational and Social Work Environment, which is obligatory for managers, and where, among other things, the topic of harassment is addressed. We also work to identify and analyse our salaries and roles (and the connections between them) in Sweden, and this practice will be expanded to include our global offices. (Oatly, 2018, p. 56).

According to the statements in the sustainability report, even though currently the company needs to hire more people of different expertise, all successful candidates are expected to have a mindset aligned with Oatly's sustainability vision: "You don't have to fit a certain mold to work with us. The only thing you can't be (for obvious reasons) is a climate change denier—or at least, that would present us with a real challenge." (Oatly, 2018, p. 61). This statement was supported by two interviewees (R2, R5) who mentioned that being not only good at a specific job but also be able to fit in culturally is essential, and people with pure for-profit thinking would not be successful candidates for job positions at Oatly.

#### **4.1.6 Customers**

Sustainability credentials embedded in the interaction with customers are closely linked to Oatly's intention to transform the global food market by encouraging more sustainable consumption practices. When discussing Oatly's approach to communicating with customers, one respondent mentioned that "if it wasn't for sustainability, that would be no rationale for consumers to change over from milk to a plant-based alternative." (R5).

In order to communicate the company's goals and encourage their consumers to shift to more sustainable food choices, Oatly attempts to maintain an open dialogue with consumers through active social media interaction and participation in online debates about their own products and on the topic of sustainable diets in general (Oatly, 2018, pp. 68, 78). Oatly's approach to communication with consumers is categorised by its openness and honesty. In their sustainability report, they directly admitted that the sustainability performance in 2018 was considerably worse than expected and explained their decision to be open about that as they "really have no interest in friendly figures when we're striving for improvements." (Oatly, 2018, p. 44). This statement was supported by the company's CEO in his interview:

If you look from a branding perspective and a lot of different companies, it's about bragging, how good you are. And just imagine having a friend who just brags about how good you are. That's pretty boring. So, I think this "being human" part and not a logotype was very important right from the start. And being a bit vulnerable, acknowledging your imperfections and be transparent about that. (R8).

Moreover, Oatly implements the elements of sufficiency into their business strategy and into their campaigns targeting their customer base. For instance, on Black Friday instead of launching sales and offering discounts that encourage their customers to buy more of their products, they arranged a give-away program to motivate people not to make unnecessary purchases (Oatly, 2018, p. 78).

#### **4.1.7 Market Transformation**

Since the intention to drive global change in food systems is embedded in the company's identity and mission, market transformation is among the most critical areas of Oatly's sustainability work and aspirations. As they state in the sustainability report, "collaboration is absolutely necessary for achieving change in society. Through contact with consumers, suppliers, industry colleagues, customers, decision-makers and the research community, we can work together to increase the scope of the transition to plant-based eating." (Oatly, 2018, p. 9)

Market transformation activities revolve around several channels:

- Collaboration with the scientific community. Oatly actively participates in research projects that investigate the possibility of reusing the oat residues and turning them into new products. (Oatly, 2018, p. 36; R2). Moreover, with the help of leading nutritionists, they develop educational programs in order to disseminate the information about climate-friendly diets among healthcare professionals and encourage them to inform their patients about healthy and more sustainable foods.
- Political influence and industry institutions. In 2018, Oatly founded the Växtbaserat Sverige<sup>8</sup> trade association in order to promote the transition towards more environmentally and socially responsible food products and practices among the food industry in Sweden. (Oatly, 2018, p. 72).
- Suppliers, partners and other producers. Oatly acknowledges that their sustainability work with partners and suppliers may not only help Oatly to keep up with their performance but may also have a positive impact on other companies:

According to the contracts we sign with our partners, they must annually report sustainability data and be open to a dialogue about what improvements we can make together. In the long term, we believe this will help reduce the climate footprint of our products. We also hope it will spill over into other companies' value chains. (Oatly, 2018, p. 30).

Moreover, the company realises the importance of demonstrating a good example and inspiring other companies to consider more sustainable solutions. When discussing the plans on using electric trucks on their commercial routes, one of the interviewees mentioned:

Today, the reason you don't see electric trucks on the road is that because they are 40 or 50 percent more expensive than their diesel alternative. So, companies simply choose cost over sustainability. We are going to change that. . . we're going to take a significant premium on our transport and logistics costs because we want to be the first movers. (R2).

- Change through the customers and employees. Educating people and disseminating the message about more sustainable diets help Oatly in achieving their goals. Their educational programs for the employees, workshops on plant-based cooking, collaborations with schools and participation in festivals help Oatly to not only promote their products but also change people's perception on their everyday habits and encourage them to shift towards more sustainable consumption (Oatly 2018, pp. 65, 73, 76; R5).

## 4.2 Oatly's Growth

Oatly has undergone rapid growth accounting for a 65% increase in their turnover and 70% increase in number of employees in 2018 (Oatly, 2018, p. 2). According to one of the respondents, in 2019, the growth was reflected in 80% increase in production and 75% increase in employees (R1). Another interviewee who joined the company in February 2019 noted: "I

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<sup>8</sup> "Plant-based Sweden" - industry organisation which aim and purpose is to promote plant-based food. URL: <https://vaxtbaseratsverige.se/om-oss/> retrieved in May 2020

think I was number 300. We're now over 600. We're going to be 1500 eighteen months from now.” (R2).

The company’s growth has been supported by the external market environment – the global trend of sustainable diets among consumers, increase in market share of plant-based drinks and meat, and investor interest in the plant-based industry (R3, R5, R8). When asked about the moment when Oatly started experiencing accelerated growth, one of the respondents explained: “Oatly was positioned very well, established with a good product innovation, good communication, exactly when this market took off. And it's not only . . . what we did right. It's also everything around us which is going in our direction. We are right there in the middle of this fantastic trends, everything's supporting us” (R3).

Oatly could have chosen the path of staying “a small Swedish company only shipping to the Nordics. . . . and could have been hugely successful in that” (R2). Nevertheless, as was emphasised not only in the sustainability report but also by several interviewees, the decision of stepping on the track of rapid growth could be justified by the company’s intention to expand its positive environmental and social impact and potential to play one of the leading roles in the global transition towards a more sustainable future (R2, R3, R4, R5, R8; Oatly, 2018). When addressing the question why the company decided to go beyond local market and expand globally, the company’s CEO stated:

Now you’re talking as if we only sell products. We do much more than that. This is a whole ideology based on sustainability, health and transparency. And it’s a really good thing to spread that around the world. I’m not saying that we’re the best, but we stand for something that aims to make the world a better place. Are we perfect at it? Certainly not. We can do so much more! But that’s still what it’s all about—the ability to spread this ideology. (Oatly, 2018, p. 80)

According to the collected data, Oatly admits that its growth not only helps the company achieve its goals in the long-term, but also brings new challenges, tensions, and trade-offs that require the company to make compromises and restructure the existing systems and establish new ones (Oatly, 2018; R1, R2, R3, R4, R5, R7, R8). The following sections 4.2.1-4.2.4 provide an overview of Oatly’s experience with regard to each of the four growth factors included in the analytical framework (Figure 2-3) - overtrading, expansion to new markets, formalisation of the processes, and change in ownership and leadership. More detailed data on what opportunities and challenges were caused by Oatly’s growth will be presented and analysed in Section 4.3.

### **4.2.1 Overtrading**

Overtrading leading to an extreme focus on production rates and uncontrolled growth is one of the growth factors identified in this research. Overtrading was not discussed with the respondents from a financial point of view. Here, overtrading is referred to as one of the aspects of business growth associated with the extremely rapid increase in demand and Oatly’s intention to satisfy it. One respondent commented: “The demand for the product far outweighs our ability to be able to supply. . . . All of our sales today are limited by just how quickly we can build up” (R2). Another interviewee emphasised that this rapid growth is reflected in the urgency to build new production facilities all over the world and the need to find more partners who can help Oatly maintain the production capacity (R1).

In these circumstances, quick actions and urgent decision-making have to be done not only with regard to expanded production but also such areas as the scope of shipments and transportation, the search for new partners and suppliers, a need for more professional expertise and additional

care for the employees due to high stress levels (Oatly 2018; R1, R2, R3, R4). According to one of the interviewees, “in the scaling situation where growth is accelerated, there are processes that can't keep up and we can't hire fast enough.” (R5).

#### **4.2.2 Expansion to New Markets**

As stated in the sustainability report, the demand for Oatly's products “has totally blown up” and they are growing fast in both new and mature markets all over the world (Oatly, 2018, p. 8). According to the information collected from the interviews, Oatly is planning to have nine factories in three different regions (Europe, Northern America and Asia) over the course of three to four years (R2, R3, R4, R5). Some of the processes have already started in those regions – production facilities are being built, new production partners and suppliers are being found and local people are being hired (R1, R2, R3, R5).

As the company grows in new markets, a lot of new aspects are taken into consideration within the process of planning and decision making. First of all, Oatly sees a challenge in keeping up with its initial commitment to minimise its negative environmental impact.

Even though our own Landskrona production plant has gotten its energy from renewable sources since 2016, many of the new partnerships we managed to find couldn't offer the same kind of energy solutions. And the percentage of renewable energy in production (our goal is 100%) decreased in 2018 compared to 2017. . . Transportation between various facilities has also increased, and more travel has been necessary so that co-workers can start up new partnerships and introduce employees in new offices around the world. (Oatly, 2018, p. 9)

Expansion to new locations requires Oatly to pay more attention to cultural and political differences when it comes to hiring new employees and looking for new partners. Therefore, as mentioned in the sustainability report, a growing global network can cause a higher risk of corruption, which encouraged Oatly to include this aspect in their risk assessment (Oatly, 2018, p. 15). Moreover, the maturity of different regions with regard to environmental and social responsibility is something that should be considered in such areas as legal compliance and recruitment process (R1, R2, R7).

#### **4.2.3 Formalisation of the Processes**

Being a fast-growing company requires Oatly to rearrange existing systems and establish new mechanisms to support the processes. This comprises of “administrative tools that should bring clarity” (R4) such as policies, rules and process descriptions. As two respondents stated, everybody at Oatly “used to make decisions in the kitchen” (R1) and it was possible to meet “the half of the company for lunch, and the rest were included in the daily communication” (R5). As the company grows, the messages and updates have to be communicated between offices around the world (R1, R4). Since maintaining the culture and shared values among employees is one of the most important aspects of the company's growth (R8), the recruitment process required formalisation, too. In order to keep up with that, Oatly has introduced the guiding principles that outline the values and mindset that Oatly expects from the candidates (R4).

Moreover, according to some of the respondents, the supply chain processes have undergone a lot of formalisation (R2, R3). The respondent who has been working at Oatly since the very beginning emphasised:

I didn't call it that [supply chain] at the time. I was just trying to make things work. . . . So, in 2014 when the sales really took off and we had the new management coming in, that's when we needed to expand the organisation and we needed to have more systems taking care of planning" (R3).

The supply chain process was formalised through creating a centralised functional unit and introduction of global agreements with the suppliers all over the world that document the expectations Oatly has towards their suppliers, including the sustainability aspects (R2). Even though the sustainability requirements to the suppliers are rather basic at the moment, one of the respondents mentioned that they are going to be improved and will allow Oatly to have a more positive influence on the industry as a whole (R2).

When discussing the process of the formalisation of information flows and organisational structures at Oatly, another respondent (R4) outlined the risk that this process can bring:

The first thing that happens is that everyone starts to grasp after policies and rules and working descriptions, . . . and all this kind of administrative tools that should bring clarity. But what happens when you start to implement too much of that is that you start to get bureaucratic and then you get slower and you slow down all the processes. Then you are not able to grow. It will suffocate this growth. (R4).

As was emphasised by two respondents, the company has the goal to maintain the agile and dynamic style of thinking within the company (R2, R4).

#### **4.2.4 Change in Leadership and Ownership**

Several respondents stated that even though the company's founders did acknowledge the sustainability benefits of the product, the focus from the beginning was on supplying the market with a plant-based alternative to conventional dairy for lactose intolerant people (R4). As one of the interviewees noted, the company had "no focus [on sustainability] in the marketing until maybe when with the new management in 2015 . . . when we started to talk a lot more about sustainability" (R3). Another respondent emphasised the role of the current CEO:

And it wasn't until the last five or six years that . . . there was the understanding that this product is just hugely better for the environment than the dairy alternative. . . . And our latest CEO came in and had the foresight to understand that we could do something to build this brand and make sure that we are driving this global societal shift and helping really accelerate it. (R2)

As was mentioned before, the current CEO, Toni Petersson, demonstrates a leadership style that can be characterised as entrepreneurial, enthusiastic, and purpose-driven (R2, R7, R8). Even though the CEO is the leading figure, the company's growth requires a certain level of delegation. That is why according to one respondent (R1), in 2019, a new layer of decision-making was added, represented by the highest management team which includes both early and new managers.

The company is currently owned by "Industrifonden, the Foundation for Baltic and East European Studies, Verinvest, China Resources, the company's founders, private individuals and . . . employees" (Oatly, 2018, p. 6). Now Oatly continues searching for funding for its growth (R4) and some of the respondents emphasised that they acknowledge that the current and future owners' interest is to a large extent focused on the commercial performance of the company (R3, R5). Nevertheless, it does not necessarily contradict Oatly's sustainability plans

and priorities (R3). First of all, Oatly's commercial success and growth in sales imply that the company is succeeding in driving the societal change and as soon as the company demonstrates good economic performance, Oatly has more freedom in prioritising sustainability (R1, R2). Secondly, as one respondent noted, "having a large owner group with several owners, it's much easier to stay more independent." (R4), which also gives freedom in realisation of different sustainability-related projects.

### **4.3 Consequences of Growth**

The interviews and information presented in the sustainability report helped collect data about how the growth factors influence or may influence Oatly's ability and potential to retain and improve its sustainability profile. The summary of the current and potential consequences of Oatly's growth is shown in Table 4-1. The summary is structured along the analytical framework outlining the negative and positive influence of each growth factor – overtrading, expansion to new markets, formalisation, and change in leadership and ownership – on each area of sustainability credentials. The table is followed by the sections 4.3.1-4.3.6 providing the detailed description of the identified challenges and opportunities.



Table 4-1. Current and potential consequences of Oatly's growth

Areas of sustainability credentials	Growth Factors			
	Overtrading	Expansion to New Markets	Formalisation of the Processes	Change in Leadership and Ownership
<b>The Core</b>				
<b>Socially and Environmentally Embedded Mission</b>	(-) Challenges the commitment to minimise the negative environmental impact and keep up with the initially set targets (increased wastewater and carbon footprint of new production sites)	(-) Higher risk of corruption in new countries of operation	(-) Decentralisation and defining the responsibilities of each department has a risk of shifting the sustainability work, vision, and values from the core of the company to one department	(-) Risk of losing the owners' support of sustainability initiatives in the periods of low commercial success
	(-) High production rate is prioritised over improvement projects	(-) Sustainable travel options are not always available in new countries.		
	(-) Focus on more traditional parts of the company (production and sales) where sustainability awareness and KPIs are not one of the top priorities	(-) Different level of sustainability maturity and awareness in other regions		
	(+) Increase in production will open the opportunity of the economy of scale, which will help decrease the amount of resources used per one production unit	(+) Having offices and production sites closer to the markets where the product is sold will optimise the distribution routes and reduce the negative impact of business trips		
<b>Positive Leadership</b>	(-) Need for continuous revision and adjustment of the existing leadership principles and skills in the fast-paced and stressful environment			
	(+) Company's growth attracts more managers with both strong professional skills and passion for sustainability			
<b>Long Time Horizons</b>	(-) Challenge to find balance between short-term business activities and long-term sustainability goals			
<b>Micro-Level</b>				

<p><b>Suppliers and Communities</b></p>	<p>(-) Lack of time for the comprehensive evaluation of the suppliers</p>	<p>(-) New and potential partners in other countries are not always on board with sustainability initiatives</p>		
	<p>(+) Growth in purchased volumes will allow to set higher social and environmental standards for the suppliers in long-run</p>	<p>(-) More shipments in remote areas increase the environmental footprint</p> <p>(-) Longer distances require use of heavier trays which increase the negative environmental impact from packaging</p> <p>(-) Relatively “raw” network in remote locations challenges the company’s aspiration to improve agricultural practices of the suppliers</p>		
<p><b>Employees</b></p>	<p>(-) High level of uncertainty, stress, and turbulence in the work environment due to fast growth</p> <p>(-) Lack of time and energy to provide a sufficient and personalised introduction and safely instruction for the new employees, which may cause accidents and misinterpretation of the company’s values</p> <p>(-) Risk of not delivering on employees’ expectations in terms of having established instructions, systems and processes</p>	<p>(-) Difficulties in establishing a unified sustainability culture in new countries. Level of commitment and understanding of the company’s values and vision is different in different countries</p> <p>(-) Shift from “kitchen” discussions to global communication may cause issues in internal communication and require new tools and mechanisms</p>	<p>(-) Some employees experience a lack of understanding of how they can contribute to the company’s goal in their daily work which means that the social and environmental goals are becoming less tangible</p> <p>(-) Formalisation may cause frustration and lack of clarity by making people feel that they are getting further from decision making</p> <p>(-) Uncontrolled increase in the number of administrative tasks may “suffocate” growth</p>	<p>(-) Challenges to maintain the initial culture and work approach when new people teach and guide new people</p> <p>(-) Current and future managers have to be able to maintain a sense of importance and trust in their employees</p> <p>(-) New managers may bring in more hierarchical approach which makes it harder to maintain agility</p>
		<p>(+) Expansion allows to attract more enthusiasts from different countries</p>	<p>(+) Introduction of the guiding principles help “filter” the job applicants who fit in the company’s culture</p> <p>(+) Formalisation and well-structured processes give an employer branding advantage</p>	
<p><b>Customers</b></p>	<p>(-) Risk of being associated with the “big” industry and not meeting the expectation of the early customers</p>	<p>(+) Global coverage allows reach out to more people and spread the idea about sustainable consumption all over the world</p>		<p>(-) The reputation of new investors may be negatively perceived by customers and undermine their trust in the brand</p>
<p><b>Macro-Level</b></p>				

<p><b>Market Transformation</b></p>	<p>(-) Focus on production rates can reduce the time and resources that were supposed to be invested in research projects, collaboration initiatives and improvement in innovation</p>	<p>(-) The existing legislation in new locations and markets and lack of influence leverage can lower company's potential to transform the market</p> <p>(-) The approach for evaluating the sustainability performance and value creation differs from market to market</p> <p>(+) Expanding network brings more collaborations and partnership which strengthen the company's market transformation capacity</p>		
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Note. (-)- negative, (+) – positive. Developed based on the coding process illustrated in Appendix V.

Source: own elaboration.

### **4.3.1 Challenges to retain sustainability credentials in the core**

According to the sustainability report and several interviewees, rapid and uncontrolled growth is affecting the company's commitment to minimise its negative environmental impact. The report stated that "Increasing production generates more process wastewater." (Oatly, 2018, p. 22). Having a plan to have nine production sites in four or five years requires a lot of quick decision-making and problem-solving. This is why even though the company included energy sources as one of the criteria in the evaluation process of their production partners, the sustainability report states: "In order to meet the demand for our products, we've simply had to say "yes" even to partners who haven't come as far as we have" (Oatly, 2018, p. 30). Another issue that the company has to currently deal with is the challenge of maintaining quality and prioritising improvement projects over a high production rate required to satisfy the growing demand for the product (R1, R2, R7). One respondent emphasised that "the more traditional parts of the company [e.g. sales and production] are maybe a bit more hesitant in promising a lot of sustainability visions" (R1).

Expansion to new markets and countries where the sustainable energy sources and travel options for business trips are not as available and public awareness about sustainability is not as mature as in Sweden is another challenge that was emphasised in the sustainability report and mentioned by one of the respondents:

In the United States, only 19% of the energy came from renewable sources. That's a concern, because our US market is expected to grow quickly, and within the next few years it will likely account for a large proportion of our volume. In other words, moving forward we'll need to be sure to find or develop sustainable energy solutions in the US. (Oatly, 2018, p. 31).

The US is way behind where we are in Europe. China in some areas is further ahead, in others is further behind. In each new territory we go into we will have similar challenges which we will need to be able to work with. (R2).

Another challenge caused by the company's growth, according to the sustainability report, is a higher risk of corruption:

So far, we have assessed that the risk of corruption (both internally and in the supply chain) has been low, so we have not worked very actively in this area. But given our rapid growth, which entails a growing organisation and a growing global network of contacts, we will have to keep a closer eye on this. (Oatly, 2018, p. 15).

Due to the active formalisation of the processes, delegation of the tasks and decentralisation of the units, there is a high risk that the sustainability department of the company can be seen by the employees as an external "controlling" entity. There was no direct opinion expressed with regard to this issue. Nevertheless, one respondent (R5) referred to the Sustainability department as a separate stakeholder: "We are challenged every day by our consumers and by ourselves, sustainability department or even employees on different levels, and on our mission".

Three of the respondents stated that when it comes to the owners, Oatly has enough freedom to prioritise sustainability initiatives as long as the sales and revenue are high (R1, R4, R5). Even though the owners support Oatly's positioning as a sustainable brand, "it will be more challenging [to retain the sustainability vision] if sales go down, . . . Then maybe they will be more putting sustainability on the second place." (R1).

The transition from a small company to a large international enterprise requires careful consideration and revision of the leadership patterns employed by the company's CEO and executive managers. One of the respondents mentioned: "the sustainability is, of course, a lot about the well-being of our employees, . . . the leadership influence very much the well-being of the workforce. So, it's, of course, a lot about what kind of leadership principles and skills should be in place." (R4).

Finally, Oatly's growth involves a lot of ad hoc tasks and solutions (Oatly, 2018, p. 26) which can potentially shift the company's focus from long-term goals to short-term problem-solving and gains. Oatly acknowledges this risk by asking "How can we balance short-term business activities with long-term sustainability goals? (Oatly, 2018, p. 15).

### **4.3.2 Opportunities to retain sustainability credentials in the core**

One of the main growth-related opportunities to retain the sustainability credentials in the company's core is the potential to achieve economy of scale. Once the required facilities, systems and partnerships are in place, producing larger volumes will allow the company to reduce the amount of resources, both financial and natural, spent on the production of one unit (R8).

Moreover, opening new offices and having local employees in the countries where Oatly's products are sold, will potentially reduce the need for long-distance business trips which accounted for 1,220 tons of greenhouse gas emissions in 2018 (Oatly, 2018, p. 58). As stated in the sustainability report, "the more local employees we hire, the less we should need to fly" (Oatly, 2018, p. 58).

Oatly's growth makes the brand and the company more well-known and recognisable among potential candidates for managerial positions. When discussing the sustainability awareness of the new managers, one respondent commented:

[We are] taking in people who have experience from really big companies and, you know, understanding the challenges. So, I would say. . . most of them, surprisingly enough, seem to be really on board with sustainability first and are excited about making this company bigger and creating something special. (R1).

Another interviewee (R4) shared the experience in hiring a new manager: "I just recruited a global CTO [chief technology officer], and he could actually choose any company because he had such an experience. But he wanted to join Oatly because he was searching for that purpose". This finding shows that by becoming an internationally well-known sustainability-driven company, Oatly can attract leaders from all over the world with the same values and vision.

### **4.3.3 Challenges to retain sustainability credentials on the micro level**

High production rate and rapid expansion to new markets bring new challenges in the company's supply chain. Firstly, the scope of activities in this area is becoming much larger as the company grows. Thus, the sustainability report stated: "It's not easy to establish a structured approach to sustainability in the supply chain while simultaneously moving full speed ahead and struggling to deliver products to our customers." (Oatly, 2018, p. 42). It is hard for Oatly to set high sustainability criteria while evaluating its new oat suppliers, since the company is not yet big enough to use its size as a leverage (R3). Over time, Oatly managed to establish communication channels with some Swedish farmers and other food companies sourcing from the oatmills and encourage them to implement more sustainable agricultural and production

practices, even though the rapid growth and focus on the production rates does not always leave enough time to improve the supplier evaluation process (Oatly, 2018, p. 43).

Moreover, when it comes to expansion to new territories, Oatly still has a relatively “raw” network of suppliers: “when we start to source from other continents, we are back to buying from the big pile without any possibility to have a separate logistics, separate deliveries to us from a certain farm . . . That's just not possible.” (R3). According to one of the respondents, many small companies while expanding to new countries do not have a well-established network, they find and rely only on one supplier in the area. That is why if it turns out that the supplier is not compliant with local or international legislation (work conditions, human rights, environmental preservation violation) or requirements stated in the code of conduct, the company bears a high reputational risk since it does not have enough knowledge about the local market and cannot switch to a “plan B” supplier right away (R6).

Product distribution to farther markets has increased Oatly’s carbon footprint in 2018 (Oatly, 2018, p. 50; R1). The sustainability report stated that now the company has to find ways to “work toward improving the efficiency of those shipments by increasing our percentage of renewable fuels.” (Oatly 2018, p. 50). In addition to that, the impact from packaging has increased since Oatly now has to use stronger and heavier shipment trays for their products in order to endure long distances (Oatly, 2018, p. 39).

Although the well-being and commitment of the employees is one of the most important areas of sustainability work at Oatly, the early and new employees are being affected by the company’s growth. Several interviewees described the current work environment at Oatly as “hectic” (R1), “stressful and full of uncertainty” (R4). Fast pace of work and lack of time and resources can increase the risk of accidents at the production sites (Oatly 2018, p. 54). Moreover, due to the increase in the number of employees every year, it is becoming harder to communicate the important messages related to the company’s sustainability message and vision (R1; Oatly, 2018, p. 61).

The formalisation of processes can bring frustration to the employees as they feel like they are moved further from decision-making compared to when most of the employees could participate in the kitchen discussions during lunch (R1, R4, R5). As one respondent noted, “when the company is changing, that fast as it is, we're growing immensely, and it is basically a new company every six months. Then, it's difficult for some people to embrace that change and feel that it's something good.” (R5). Another issue caused by the company’s growth is the risk of extensive bureaucracy. One of the respondents emphasised that it created a vicious circle, since becoming too bureaucratic will require a lot of time and resources spent on the development of the guidelines and policies and monitoring of the systems rather than on expansion, which after some time can “suffocate the growth” (R4).

The role of the leaders is essential when it comes to employee’s well-being and realisation of the importance of their work. The growth requires new tools and methods of management based on trust and clarity (R4). Two respondents emphasised that in this fast-paced work environment, it is essential to help employees be in touch with the bigger goal and explain how they can contribute to it (R1, R4). Moreover, one respondent mentioned that Oatly’s aspiration to maintain an agile and non-hierarchical organisational structure can be undermined by new co-workers and leaders who come from more traditional hierarchical companies (R4).

The data retrieved from the interviews and the report helped identify the challenges that Oatly’s growth has caused with regard to the company’s sustainability work with customers. First of all, the company’s growth is perceived by some customers as a negative dynamic:

[Some] people think it's their Oatly, because they were the first movers and embraced us fifteen years ago when we were small and fairly unknown. And now we're this big . . . They think we're taking the wrong steps. . . And they think we are industrialised. . . . They're a little bit disappointed in big food in general. And they perceive us as the big food, which we're not. (R5).

In addition to that, as the company grows, current and potential customers pay more attention to Oatly's decisions and actions. For instance, the entrance of the Chinese investor, China Resources, was perceived as controversial by some of Oatly's customers (R7).

#### **4.3.4 Opportunities to retain sustainability credentials on the micro level**

Oatly's growth, as was mentioned before, gives the company an employer branding advantage which helps find more enthusiastic and mission-driven people. The more well-knowns Oatly's brand is, the more there is an opportunity to reach out to professionals all over the world with the sustainability values that match the company's vision and mission. This conclusion is supported by the results of the internal survey that one of the respondents conducted in order to measure a "Commitment to sustainability index" among Oatly's employees all over the world. The respondent stated that currently 82% of the employees emphasise that Oatly's focus on sustainability was one of the reasons why they wanted to work for Oatly (R1).

Formalisation through policy and guideline development brings a lot of clarity and optimisation in Oatly's requirement process. As was noted by one interviewee, Oatly has developed the guiding principles that outline the kind of mindset successful job applicants are expected to have to fit in the company's environment (R4). While discussing the consequences of the formalisation, one respondent mentioned that besides a higher administrative burden "it could be [seen by the employees as] beneficial that you enter into a company which really has an extreme focus, has tools, has methodologies for audits of suppliers and can really serve everything that you need." (R6).

When discussing the advantages of growth with regard to their customers, Oatly stated:

One advantage of getting bigger as a company is that it becomes easier to reach more people and get them to listen. As we grow, we have more opportunities to generate attention and discuss the issues we're so passionate about. And we can dictate our demands to our suppliers and partners around the world, which in turn affects more people and businesses. (Oatly, 2018, p. 9).

One interviewee provided more detailed information on how company's growth helps Oatly to disseminate the message about more sustainable consumption among people:

It's a totally different attention when we launch into Starbucks, when we launch into Whole Foods in the US. When our CEO is interviewed on CNN, BBC, CBS, you name it. Then you get a PR [public relations] that you never received before, and it's easier to . . . transfer the message to more people." (R5).

#### **4.3.5 Challenges to retain sustainability credentials on the macro level**

Even though Oatly's plan is to become one of the global drivers of the food industry's transition towards sustainability in the long run, there are certain challenges and obstacles to drive this change and influence the market in the mid-term. First of all, two respondents (R3, R5)

mentioned that with the expansion to new markets, it is hard to get leverage to influence other market players: “you have to build up the structure yourself and try to influence the government. You can never do that if you don't have any leverage. So, you have to have the leverage and leverage in this respect is size.” (R5). While expanding to new countries, it is important to take into consideration the level of maturity and local features of the market, and local legislation that can potentially “hinder the transition” (Oatly, 2018, pp. 20-21). Selling oat-based alternatives to dairy products in countries where a larger part of the population is lactose intolerant can require a different approach to measuring sustainability performance compared to the markets where the share of lactose-intolerant people is lower (R8; Oatly, 2018, p. 13).

The focus on production rates is seen by Oatly as one of the current threats in achieving its sustainability goals (Oatly, 2018, pp. 20-21). There is a risk that focusing more on ad hoc production and administrative tasks may leave less time and resources for market-transforming collaborations with other companies and scientific organisations.

#### **4.3.6 Opportunities to retain sustainability credentials on the macro level**

Oatly's growth gives a lot of networking opportunities and opens doors to new collaborations that can potentially be significant in the process of transforming the markets towards more sustainable production and consumption. New partners help Oatly strengthen the company's potential to drive the change “Our North American oats supplier is engaged in various projects aimed at developing sustainable farming methods, and in 2018 they helped us start collaborative projects with two organisations: The Sustainable Food Lab and the Practical Farmers of Iowa.” (Oatly, 2018, p. 44)

One of the respondents highlighted how the growth is helping Oatly to gain a global recognition: “With your brand, you get these partnerships like we do now, as I said, with Starbucks, with Beyond Meat, with other frontrunners in the sustainability and the sustainable drive of going forward.” (R5).

### **4.4 Factors Helping Oatly Retain Sustainability Credentials**

Even though the topic of “coping mechanisms” was not included in the analytical framework and in the list of questions that was used to interview the respondents, many of the interviewees mentioned the mechanisms and factors that help Oatly retain and improve their sustainability performance and aspirations.

First of all, several respondents emphasised that Oatly is a business built on sustainability, not on just offering a product (R4, R5, R8). This is reflected in the company's approach to strategy development and employment. When discussing Oatly's sustainability strategy currently being updated, one of the respondents clarified: “The sustainability strategy is like an umbrella. And then there is the commercial, the growth strategy, different market strategies, and so on. . . . When we grow like this, it's even more important because it ties us together.” (R4).

Mission-driven nature of the company builds a strong sense of purpose among employees. One respondent (R4) stated that when it comes to the negative consequences of growth, Oatly has been lucky to have an extremely strong sense of purpose embedded in the company's culture: “While working in this mess and this chaos, somehow I know that I am contributing to something that is good. So, we have been a little bit saved by this strong purpose” (R4).



An open and honest approach that Oatly has developed in their communication with the stakeholders was mentioned above as one of the important sustainability credentials. However, it can be also seen as a mechanism that helps the company keep up with its sustainability aspirations and principles and strive for constant improvement (Oatly, 2018, p. 68). In addition to this, one interviewee emphasised that having a strong sustainability brand lowers the risk of mission-drift. When answering the question about how Oatly deals or intends to deal with the situations where the interests and intentions of owners completely contradict Oatly's initial sustainability practices and values, the respondent explained: "It's a value-driven company. . . . If you do that, you're destroying the brand. And your followers and all your customers would leave you, too. So that's why I would say it's totally impossible for us." (R5).

While the needed formalisation of the processes and rapid expansion to new locations all over the world can increase the risk of losing the sense of independence and creative culture within the company, Oatly's plan in the new locations is to create "self-organizing teams working together collaboratively and try to build a culture where you feel that you do a meaningful work contributing and that sort of things." (R2).

One respondent emphasised the importance of maintaining a certain level of independence from the investors by stating that even if some investors are purely commercially-driven and their interests pose a risk of undermining the company's initial sustainability values, such risk can be mitigated by further diversification of the funding sources that company is considering at the moment (R4).

## **5. Discussion**

In the following section, the results derived from the Oatly case study will be compared to the findings from the literature view and discussed. The significance of the results to the academic literature and the contribution to practice will be outlined, and the reflections on the methodological choices will be provided.

### **5.1 Discussion of the Oatly Case**

#### **5.1.1 Characteristics of Oatly as a Sustainability-driven Enterprise**

According to the case study findings, Oatly is a company based on sustainable innovation that allows it to create a product with a high social value. According to the latest report published by the UN's Intergovernmental Panel on Climate Change (IPCC), high consumption of dairy produce is one of the factors fuelling global change (IPCC, 2019). By supplying the market with oat-based dairy alternatives, Oatly contributes to the reduction of the industry's negative climate impact. This aligns with Cohen and Winn's (2007) definition of sustainable entrepreneurs as market agents who use technology and organisational innovation for tackling market flaws. In the case of Oatly, these flaws are associated with negative environmental externalities of land use and farming practices.

As was outlined in the literature review, even though the definition of sustainability-driven enterprises is still a subject of debate among scholars (Bergin & Charuschanyawong, 2018; Chambers, 2014), such companies can be characterised by a set of commonalities:

- Core values and mission
- Long-term vision and planning
- Founder's values
- Sustainability message embedded in the product or service
- Selectivity in resource acquisition
- Care for employees

The case of Oatly allowed to take a closer look at these characteristics and examine them in practice. The interviews conducted and the data collected from the company's sustainability report helped identify the presence of all of the characteristics associated the sustainability-driven enterprises in Oatly's culture, approach, and organisational structure.

The company identifies its mission as to become a driver of sustainability transition of the global food system. The sustainability message is embedded in the company's product, which allows the company to differentiate it on the market, which supports the statement by Choi & Gray (2008). The case study emphasised the company's strong commitment to not only a positive change but also to continuous minimisation of the negative environmental and social impact, which aligns with the conclusions by Choi & Gray (2008) and Nazarkina (2012) on aspirations of sustainability-driven enterprises.

The collected data suggests that the company realises that the global transition of the food system is a long process that requires determination and constant consideration of the long-term consequences of each decision and activity, which demonstrates Oatly's long-term vision. In addition to that, employees' well-being, shared value, agile and comfortable work environment are among the company's main considerations. Core sustainability values and principles reflected in the company's strategy help Oatly not only maintain the organisational

culture but also attract the investors who share a similar vision on social and environmental business responsibility.

Interestingly, while the academic literature claims that the majority of sustainability-driven firms are strongly influenced by the founder's individual values and visionary ideas (Choi & Gray, 2008; Haigh & Hoffman, 2014; Mamao, 2011), in the case of Oatly, the company's business trajectory was fully shifted towards sustainability not by the founders, but by the current CEO, who joined the company almost 20 years after its foundation. His vision on what sustainability values should be incorporated in the company's vision and strategy is to a large extent influenced by his own view on the issue of climate change and intention to make the world a better place. Although Oatly's CEO is not actually a founder of the company, he portrays the qualities that other studies (Choi & Gray, 2008; Munoz, Cacciotti, & Cohen, 2018) associate with an enterprise's founder as a key imprinter shaping the sustainability profile of the company.

### **5.1.2 Consequences of Oatly's growth**

The case of Oatly suggests that sustainability-driven enterprises, unlike conventional for-profit firms, perceive growth not only through "growth vs. survival" challenge, but also experience issues with retaining their social and environmental credentials. This finding confirms the distinction identified in the study by Dacin et al. (2010).

The results also showed that all four growth factors identified through the literature review – overtrading, expansion to new markets, formalisation of processes, and change in ownership and leadership – are relevant for Oatly. Analysing the Oatly case through the lens of each of them helped pinpoint the challenges and opportunities to maintain and reinforce Oatly's sustainability credentials as the company grows.

The case of Oatly showed that a sustainability-driven company's growth can be seen as a necessary step in the company's journey towards achieving its societal and environmental goals. Indeed, all the representatives of Oatly interviewed in this research believe that the company needs to make short-term compromises with its strong commitment to minimisation of environmental impact, invest in available but not yet highly sustainable production facilities, rapidly expand the distribution network, and focus on sales rather than improvement projects, in order to be able to significantly contribute to the transformation of the global food system in 5 or 10 years. This supports the findings provided in the study by Bergin & Charuschanyawong (2018) where the mission drift of sustainability-driven companies proved to be not a bad or good phenomenon, but rather "a step in the evolution of the business' existence" (p. 43). Nevertheless, the authors stated that the balance between social goals and commercial success has to be maintained since the drifting too far to a "commercial domain challenges a social enterprise's moral legitimacy. Conversely, drifting too far towards the social domain limits a social enterprise's growth or pushes it to insolvency." (Bergin & Charuschanyawong, 2018, p. 43).

Some challenges and tensions of retaining sustainability credentials found in the existing literature were identified to be relevant for Oatly. The dilution of commitment to minimise the negative environmental impact, risk of losing control over the company and its initial sustainability values caused by the entrance of new investors and management team, and lower ability to create and distribute sustainability innovation discussed by Nazarkina (2012) seem to be present in the case of Oatly. Moreover, Oatly's case illustrated some of current or potential tensions identified in work by Mamao (2011), including the risk of changing the scope of sustainability commitment and work from the vision of the company to the responsibility of only one department, tensions with early employees and customers, challenges with balancing

the interest of shareholders and the stakeholders' well-being, and issues in communicating the company's values with new suppliers.

Some of the tensions outlined in the existing literature were not found in the Oatly case. For instance, the company has not experienced a high risk of layoffs, which was identified as one of the common challenges by Nazarkina (2012), Mamo (2011), and Bérard & Saleilles (2016). The problem of termination of contracts with long-term suppliers, opportunistic behaviour of new partners (Nazarkina, 2012), and dilution of sustainability values through hiring more people with purely commercially-driven mindset (Mamo, 2011) were also identified as less relevant for Oatly.

At the same time, the case analysis through the developed framework has revealed some new challenges which were not discussed in-depth in the literature. First of all, Oatly's expansion to new markets requires a revision of the scope of sustainability work (e.g., need to consider corruption as one of the risk assessment areas) and dependence on local legislation, infrastructure, and level of sustainability awareness in other countries. The increase of negative environmental impact caused by the expansion of distribution channels, as well as issues within internal communication regarding sustainability work with new offices all over the world are among newly identified challenges. The case also provided new insights on how the company's growth may affect employees' well-being due to higher stress levels, lack of time for providing detailed safety instructions, and lack of understanding among employees regarding how they can contribute to the company's mission on a daily basis. In addition, the company identifies a potential risk in formalisation for the sake of formalisation which may result in lower efficiency, the suffocation of growth, and loss of creativity and engagement among employees. Dealing with these issues demands a high level of adaptability and continuous improvement of managerial skills, which might be a challenge for many small companies.

Interestingly, previously the role of investors in diluting sustainability values and vision was discussed by authors in the context of internal influence when the entrance of investors with a purely commercially-driven mindset causes changes in the culture existing in the company (Bérard & Saleilles, 2016; Nazarkina, 2012). Oatly demonstrated another type of investor's impact on the company's sustainability credentials – a negative influence on brand reputation. In 2016 the state-owned Chinese investment company, China Resources, became one of Oatly's shareholders, which, according to one of the respondents and discussions in the media<sup>9,10</sup>, raised a discussion among customers. Even though new investments help expand the presence in new markets and spread a message about more sustainable consumption and production practices among larger amount of people, such change could be seen as contrary to the company's sustainability profile by some customers and partners, which to certain extent undermines the trust and lowers the brand's ability to deliver a positive message.

Despite demonstrating various issues and tensions in maintaining and strengthening sustainability credentials, the analysis of Oatly's experience also provides in-depth insights into how business growth can retain and reinforce the company's sustainability profile. As noted by several scholars, the growth of sustainability-driven companies gives them benefits in scaling up their positive impact and spreading the message across a larger number of stakeholders (Chambers, 2014; Mamo, 2011; Nazarkina, 2012; Roelofsen et al., 2015). The case of Oatly shows that expanded customer base and network of partners, and increased popularity of the

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<sup>9</sup> Sifted. (2019, 25 September). Why Oatly's latest ad campaign went badly wrong in its native Sweden [News Release] (URL: <https://sifted.eu/articles/oatly-ad-campaign-went-wrong/>, retrieved in May 2020)

<sup>10</sup> Jaenson, E. (2019, September 17.) Spola Oatlys hyckleri. Drick mjölk! (Flush Oatly's hypocrisy. Drink milk!) [News Release] (URL: <https://nxt.bl.se/ledare/spola-oatlys-hyckleri-drick-mjolk/>, retrieved in May 2020)

brand help the company strengthen its sustainability profile. The case analysis also emphasised that the company's size plays a significant role when it comes to motivating the suppliers to use more sustainable practices and promote sustainable production initiatives through industry institutions. Growth in production allows the company to achieve an economy of scale. Oatly also demonstrated that the formalisation of systems and processes which is often associated with growth (Scott & Bruce, 1987) might result in a more precise and structured definition of the company's sustainability aspirations and strategy, which was also identified as one of the positive consequences of growth experienced by two Dutch sustainability-driven enterprises, Willem&Drees and Van Eigen Erf, explored by Roelofsen et al. (2015).

### 5.1.3 Mechanisms and Strategies for Preserving Sustainability Credentials

The investigation of mechanisms and tools that can help sustainability-driven enterprises preserve their environmental and social credentials was not in the initial scope of this research, but rather emerged from the collected interview data. This topic has been previously addressed by some scholars. For instance, Roelofsen et al. (2015) explored how corporate governance mechanisms, such as formal strategy, human resource management, organisational culture, monitoring, and coordination, can be deployed to manage and maintain CSR-identity of growing sustainable enterprises. Drawing upon several case studies, the authors identified that even though the corporate governance mechanisms are usually not deployed by companies with an explicit aim to avoid possible dilution of their CSR-identity, the adoption of these mechanisms can significantly moderate this issue. According to Cornforth (2014), the risk of mission drift in social enterprises can be combated by careful recruitment, induction, and mentoring, which allow them to maintain a commitment to the values and goals of a company among employees. Diversification of funding sources to avoid the negative influence of any of the funding organisations on the company's sustainability credentials was also mentioned as one of the tools for combating mission drift (Cornforth, 2014). Oatly's case supports these findings by demonstrating the importance of formalised sustainability strategy and careful selection of job candidates. As was noted by some respondents, a strong sense of purpose drives and inspires the employees. Additionally, the company is discussing the diversification of investors as a means of gaining more freedom in the implementation of sustainability programs and initiatives.

## 5.2 Addressing the Research Question

The results discussed in the previous section provide significant in-depth insights allowing to answer the research question:

*RQ: How does the growth of sustainability-driven enterprises influence their sustainability profile and credentials?*

The results show that the sustainability profile and credentials of the sustainability-driven companies can be influenced by the company's growth both positively and negatively.

Positive influence can be largely attributed to the company's core mission that is associated with driving positive societal or environmental change through its practices or product (Chambers, 2014; Haigh & Hoffman, 2011; Nazarkina, 2012). Growth allows the company to disseminate its message more effectively among expanding customer base, a network of suppliers and partners, and a growing influence on the political entities, which retains and improves the company's sustainability credentials. Moreover, business growth can help attract like-minded employees, managers, and investors who can enhance the company's sustainability profile. Table 5-1

outlines how each factor associated with growth could help a sustainability-driven enterprise retain and reinforce the sustainability credentials embedded on the core, micro, and macro-levels of the company’s structure.

Table 5-1. Positive influence of growth on sustainability credentials of a sustainability-driven company

Areas where sustainability credentials are embedded	Growth Factors			
	Overtrading	Expansion to New Markets	Formalisation of the Processes	Change in Leadership and Ownership
<b>Core Level</b>	<ul style="list-style-type: none"> <li>◆ Increase in positive change through delivering product or service with embedded environmental and social value to more people</li> <li>◆ Economy of scale allows to use less resources per item</li> </ul>	<ul style="list-style-type: none"> <li>◆ Attracting more enthusiastic leaders and employees passionate for sustainability from all over the world</li> </ul>	<ul style="list-style-type: none"> <li>◆ More structured approach to the sustainability strategy and development of guidelines may help increase company’s potential for positive impact</li> <li>◆ Formalisation and thorough planning may help incorporate short-term gains in the long-term vision in a balanced way</li> </ul>	<ul style="list-style-type: none"> <li>◆ More financial resources become available for the realisation of sustainability projects and achieving the environmental and social goals</li> </ul>
<b>Micro-Level</b>	<ul style="list-style-type: none"> <li>◆ Bigger volumes of purchased materials allow to set more demanding sustainability requirements on suppliers</li> </ul>	<ul style="list-style-type: none"> <li>◆ Increased opportunities to disseminate the message and have open and effective communication about sustainable production and consumption with customers and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>◆ HR guidelines, procedures and formalised strategy help choose job candidates, leaders and potential owners who are aligned with the companies social and environmental mission</li> </ul>	
<b>Macro-Level</b>	<ul style="list-style-type: none"> <li>◆ Company size may allow to be listened and supported by the industry and political institutions</li> </ul>	<ul style="list-style-type: none"> <li>◆ Expanded network provides room and opportunities for new collaborations</li> </ul>	<ul style="list-style-type: none"> <li>◆ Formalised systems allows to be in good standing and taken more seriously by funding institutions (e.g., banks, impact investors), government and potential partners</li> </ul>	

Source: own elaboration based on findings from literature review and the results of the case study.

Nevertheless, the company’s growth, reflected in overtrading, expansion to new markets, formalisation of systems and processes, and change in leadership and ownership, poses a risk of dilution or destruction of the initial sustainability credentials and aspirations. The case company explored in this thesis and investigation of the examples presented in the existing literature (Bérard & Saleilles, 2016; Mamao, 2011; Mirvis, 2008; Nazarkina, 2012; Roelofsen, 2014; Weinberg, 1998) identified challenges associated with keeping up with the company’s commitment to minimise the negative environmental and social impact while increasing the production volumes and enhancing the complexity of the supply chain. Moreover, such companies often face the challenge of maintaining the focus on long-term sustainability goals while dealing with numerous ad hoc issues and tasks amidst rapid growth and organisational changes. Challenge in maintaining an agile entrepreneurial approach, preserving the trusting relationships with internal and external stakeholders and high risks of the dilution of sustainability profile and values when bringing in more people (employees, managers, investors) from a more traditional business environment were also identified as potential threats. Customers and employees may change their perception of the growing company and start

perceiving it as a part of big conventional industry. Growing sustainability-driven companies also experience a high risk of shifting from an explorative approach to exploitation practices, which may lower the innovative capabilities and potential to sustainable market transformation. Following the structure of the analytical framework developed in this research, Table 5-2 provides a comprehensive summary of the negative consequences of growth caused by each of the four growth-related factors.

Table 5-2. Negative influence of growth on sustainability credentials of a sustainability-driven company

Areas where sustainability credentials are embedded	Growth Factors			
	Overtrading	Expansion to New Markets	Formalisation of the Processes	Change in Leadership and Ownership
<b>The Core</b>				
<b>Socially and Environmentally Embedded Mission</b>	<ul style="list-style-type: none"> <li>◆ Dilution of commitments to social and environmental change and minimization of negative impact due to prioritisation of production rates over improvement projects</li> </ul>	<ul style="list-style-type: none"> <li>◆ Expansion to new countries where sustainable infrastructure (transport, energy resources, legal compliance system) is not available</li> </ul>	<ul style="list-style-type: none"> <li>◆ Risk of shifting from sustainability values being embedded in the company's mission to responsibilities of only one department (CSR)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Prioritisation of the interests of the shareholders over stakeholders</li> </ul>
<b>Positive Leadership</b>	<ul style="list-style-type: none"> <li>◆ Fixation on higher production and sales rates may move the leader's focus away from environmental and social aspirations</li> </ul>	<ul style="list-style-type: none"> <li>◆ Local leaders in new countries may not share the company's values and fail to replicate the enthusiastic and inspiring approach of the initial leader/founder</li> </ul>	<ul style="list-style-type: none"> <li>◆ Enthusiasm of the leader/founder to keep up with sustainability may be exhausted as the company grows</li> </ul>	<ul style="list-style-type: none"> <li>◆ Positive leadership style may be affected by the need to deliver to the expectations of the owners</li> <li>◆ New executive leaders may be hired because of their experience in commercial aspects while not sharing the company's sustainability values</li> </ul>
<b>Long Time Horizons</b>	<ul style="list-style-type: none"> <li>◆ Focus on short-term commercial results may undermine the long-term social goals</li> </ul>	<ul style="list-style-type: none"> <li>◆ Hard to internally communicate the company's long-term social goals and maintain the focus on them in the offices and production sites in remote areas</li> </ul>	<ul style="list-style-type: none"> <li>◆ Protocols, formal instructions, bookkeeping, reporting may dilute the understanding of long-term social goals</li> </ul>	<ul style="list-style-type: none"> <li>◆ New leaders and/or owners may be myopic and interested in short-term gains more than in achieving a long-term social goal</li> </ul>
<b>Micro-Level</b>				



<b>Suppliers and Communities</b>	<ul style="list-style-type: none"> <li>◆ Increasing amount of ad hoc issues may result in application of less sustainable but fast methods and solutions</li> <li>◆ Less time and recourses are spent on building trusting relationships with suppliers</li> <li>◆ Small local suppliers who need support cannot provide the volumes required by the growth</li> </ul>	<ul style="list-style-type: none"> <li>◆ Suppliers in new countries/markets may not share the same values</li> <li>◆ High risk of “getting stuck” with non-compliant suppliers since the lack of well-established connections in new countries does not allow to find a “plan B” supplier immediately</li> <li>◆ Increased environmental impact of product distribution</li> </ul>	<ul style="list-style-type: none"> <li>◆ More time and energy may be put into formalisation and monitoring than in actual collaborative actions towards sustainability</li> </ul>	<ul style="list-style-type: none"> <li>◆ Lack of enthusiasm among new owners and executive managers to maintain and improve sustainability work within supply chain and support for local communities</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>◆ High stress level due to the turbulence of growth</li> <li>◆ Time and resources initially allocated for employee well-being and diversity promotion programs may be put in the ensuring high production and sales rates</li> <li>◆ Some employees may not agree with the decision to grow</li> </ul>	<ul style="list-style-type: none"> <li>◆ Higher risk of miscommunication of the company’s social and environmental goals due to increased complexity of communication channels with offices in other countries</li> </ul>	<ul style="list-style-type: none"> <li>◆ Social and environmental goals may become less tangible for employees with the increase in administrative tasks and procedures</li> <li>◆ Introduction of stricter discipline policies which contradict the agile and creative work environment</li> </ul>	<ul style="list-style-type: none"> <li>◆ New owners and managers coming from more traditional sectors and structures may not support the initiatives aiming to maintain a friendly, agile culture and a sense of purpose</li> <li>◆ High risk of layoffs</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>◆ Risk of being negatively perceived as a part of big conventional industry and loose trust of early and new customers</li> </ul>	<ul style="list-style-type: none"> <li>◆ The intention to attract customers who are not interested in the topic of sustainability may dilute the company’s initial message</li> </ul>	<ul style="list-style-type: none"> <li>◆ Less time given to maintain direct, open, and honest communication about sustainability issues with customers</li> </ul>	<ul style="list-style-type: none"> <li>◆ Undermined trust due the entrance of new investors or leaders whose reputation contradicts the company’s mission and statements</li> </ul>
<b>Macro-Level</b>				
<b>Market Transformation</b>	<ul style="list-style-type: none"> <li>◆ Focus on production rates reduces time and energy put into research and political collaborations aiming to improve and promote sustainable production and consumption</li> </ul>	<ul style="list-style-type: none"> <li>◆ Lower market transformation potential in new markets where legal infrastructure and “rules of game” do not support sustainability innovation and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>◆ More time may be put in the formalisation of partnerships than actual actions</li> </ul>	<ul style="list-style-type: none"> <li>◆ New leaders and owners may focus on exploitation rather than exploration of knowledge and innovation possibilities</li> </ul>

Source: own elaboration based on findings from literature review and the results of the case study.

### 5.3 The Analytical Framework Revision

As was mentioned before, the aim of this research is to develop a comprehensive analytical framework that helps identify and analyse challenges, tensions, and opportunities that sustainability-driven enterprises face while growing. In this research, the framework was developed based on two dimensions: growth factors (following the approach demonstrated in the study by Roelofsen et al. (2015)) and areas of sustainability credentials (applying the approach used by Mamao (2011)). The result is demonstrated in Section 2.4 and tested on the case of Oatly.

As the research demonstrates, the framework is applicable for analysing single cases (Table 4-1) and for identifying positive and negative consequences of growth faced by sustainability-driven enterprises in general (Table 5-1, Table 5-2).

Although the developed framework proved to be a helpful tool, the analysis of the case company showed that certain adjustments should be introduced in order to enhance the framework's applicability:

- Considering the strong focus of sustainability-driven enterprises on their employees' well-being and shared values (Choi & Gray, 2008; Parrish, 2010), the element "employees" should be moved from the micro-level to the core level of the organisation. This alteration of Hoffman's framework was also suggested by Mamao (2011) after analysing four cases of hybrid companies, providing evidence that this adjustment can be a reasonable improvement of the framework.
- During the analysis of the case company, most of the sustainability credentials related to Oatly's production processes were included in the area "socially and environmentally embedded mission". This decision was considered logical at the time since the company's intention and commitment to reducing the negative environmental and social impact of the product can be linked to the company's mission. However, the framework would benefit from adding "product and production processes" as an additional sustainability credential area on the micro-level. The spectrum of possible sustainability initiatives, strategies, and principles applied on the technological level is broad, covering such areas as low-carbon manufacturing, cradle-2-cradle, increased functionality of products, or lean production (Bocken et al., 2014). Distinguishing and analysing them separately can increase the efficiency and depth of the analysis.

The updated version of the framework, including all suggested alterations, is presented in Figure 5-1.

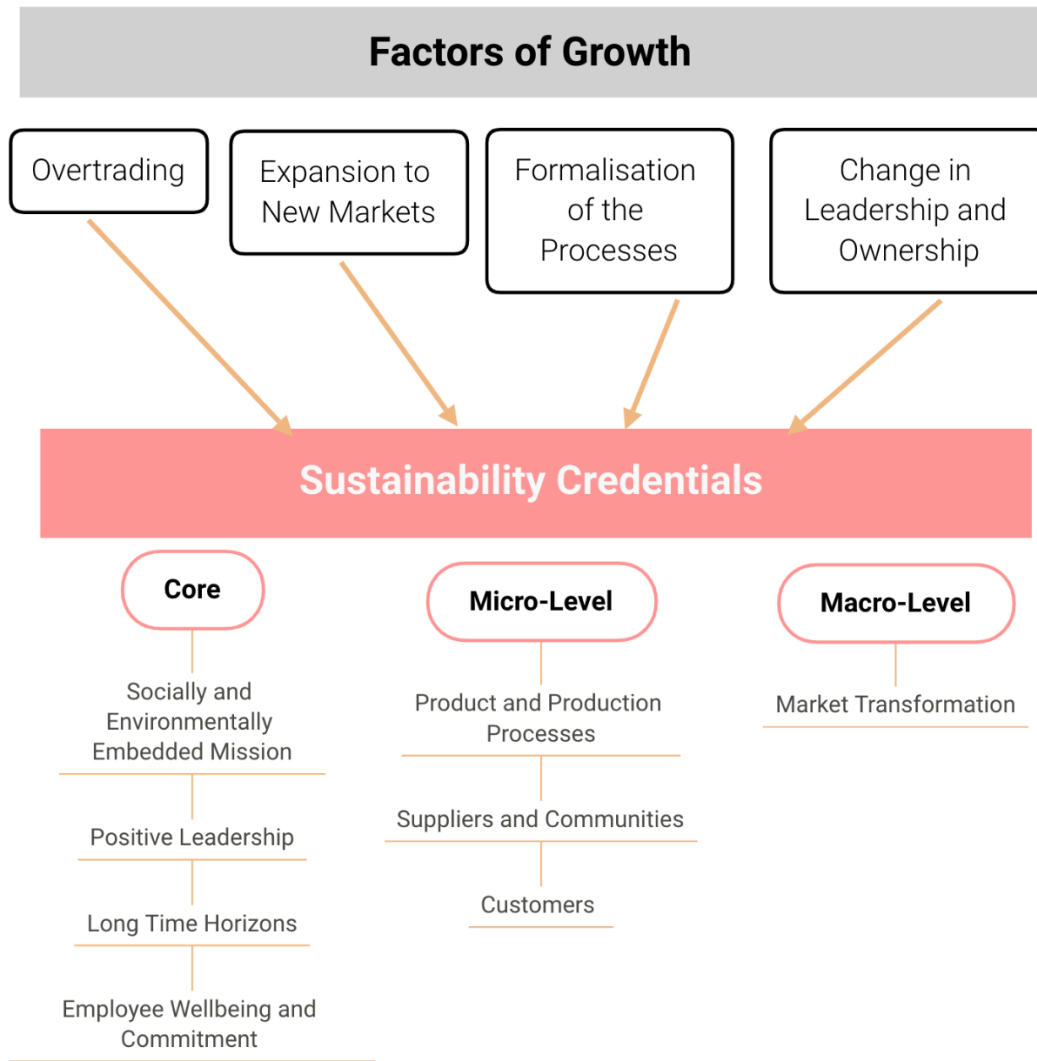


Figure 5-1. Updated version of the analytical framework

Source: own elaboration.

## 5.4 Academic Contribution

This research provides a comprehensive review of the existing literature addressing the topic of sustainability-driven companies and their growth. The review presents various approaches to defining sustainability-driven entrepreneurship, summarising the main distinction points between this type of entrepreneurship and conventional for-profit companies, and establishes a list of its main characteristics. The research also contributes to the stream of academic literature by providing a thorough analysis and new insights into the influence of business growth on a company's environmental and social credentials and profile drawn on an empirical study.

This thesis' main contribution to academic literature is the analytical framework, which enables researchers to gain a more systematic and detailed perspective on the possible consequences of growth of sustainability-driven enterprises. This thesis confirmed the results and amplified the framework presented in the study by Roelofsen et al. (2015) by suggesting a more

structured approach to analysing the changes caused by a company's growth. Moreover, the application of the analytical framework used in this research could broaden the list of common growth-born tensions of hybrid organisations introduced by Mamao (2011).

Although requiring further testing on other companies, the proposed analytical framework contributes to the theoretical research stream and opens further opportunities for the in-depth investigation of how the potential and capability of sustainability-driven companies in the process of sustainability transition can be enhanced.

## **5.5 Contribution to Practice**

Nowadays, sustainability-driven companies are on the rise. Purpose-driven ideas become more and more attractive to consumers and investors. A report focusing on consumer research published by Accenture states that 63% of consumers prefer buying the products offered by companies with strong sustainability aspirations (Barton, 2018). With the rise of sustainability start-ups, the question of how the transition from a small firm to an international corporation can influence the company's sustainability values and purpose-driven profile is becoming more relevant. This research offers the practitioners new insights on how business growth may affect the environmental and social profile and aspirations of sustainability-driven companies.

The analytical framework developed in this thesis proved to serve as a useful practical instrument for analysing the consequences of growth for single cases. Managers and consultants working for sustainability-driven companies may utilise the framework both for a preliminary mental exercise in order to get an overall picture of the company's sustainability profile in relation to its growth and for a detailed and very comprehensive mind-mapping of all possible opportunities and challenges that growth brings to the company's sustainability performance and aspirations. This may help the companies foresee the tensions and opportunities and improve the process of strategy development. The approach for employing the analytical framework encompasses four steps presented in Figure 5-2. The process implies that after the third step, the results of the analysis will provide sufficient information about the "hotspot" areas where the risk of dilution or destruction of environmental and social values and goals is extremely high. In some cases, mitigation of such issues does not require sophisticated tools and mechanisms. Simply bringing attention to these areas can be enough to come up with an intuitive and effective solution.

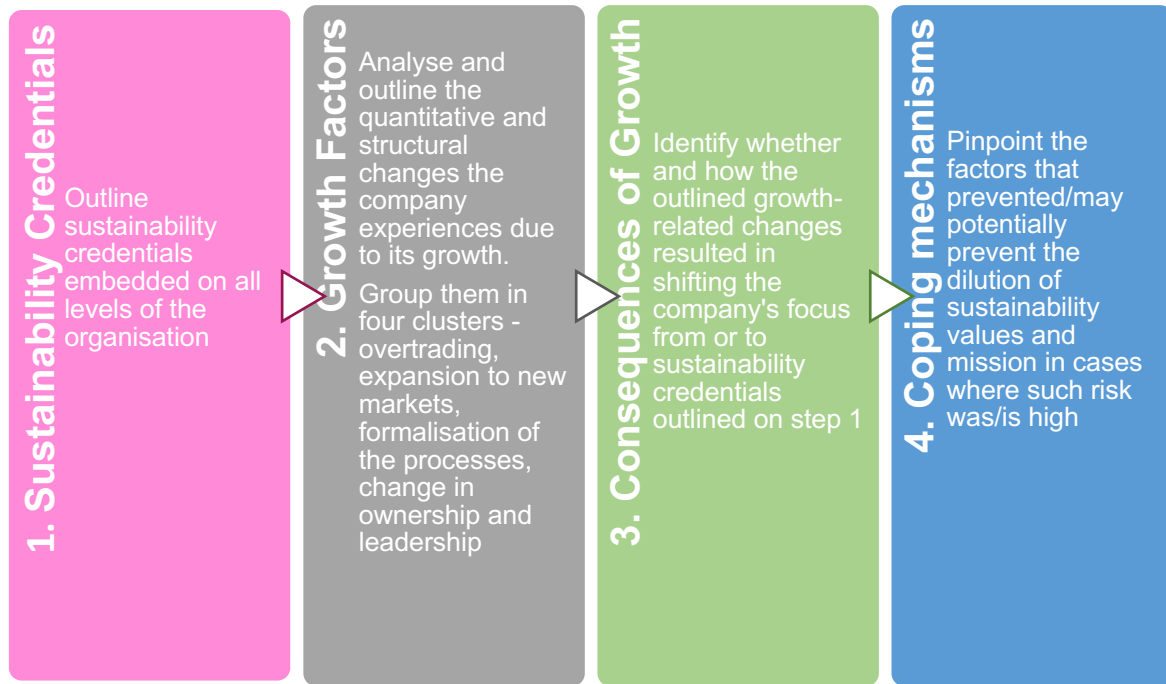


Figure 5-2. Proposed approach for applying the analytical framework by practitioners

Source: own elaboration.

Impact investors and policy-makers who intend to support sustainable businesses may find the results presented in this thesis useful for assessing the risks and opportunities of investing in sustainability-driven companies. Gaining a better understanding on how these companies operate and what could be the factors strengthening or lowering their ability to contribute to positive change will help the investing organisations make more informed decisions.

## 5.6 Reflections on Methodological and Analytical Choices

Although this thesis provided many useful insights, some limitations caused by certain decisions made during the research process have to be taken into account.

A deliberate decision to focus the case study on a single company was made at the beginning of the research process. The main argument in favour of this decision was the opportunity to obtain more in-depth and detailed results, which was eventually well realised. The comparison of the challenges and opportunities faced by Oatly and the ones identified in the existing studies demonstrated a significant number of commonalities. In addition to that, even if some of the new findings obtained from the case of Oatly are less generalisable than others, the single case study to a great extent contributed to the aim of the research - development of the comprehensive analytical framework which could be applied for the analysis of any single sustainability-driven enterprise or a group of such companies. Nevertheless, the results related to the framework development would have benefited from testing on several cases in order to assess the applicability of each element of the framework to companies across different geographical locations and industries.

Even though the chosen methods of data collection provided a lot of valuable results and the triangulation of data sources was ensured, interviewing Oatly's external stakeholders, such as current and former suppliers, customers, former employees, would have provided more

insights about the changes caused by the company's growth. Additionally, due to the semi-structured nature of the interviews conducted in this research, the respondents were not asked a single set of questions, which likely makes the results difficult to reproduce.

The thesis utilised qualitative research methods, which are usually used by the researchers in this field (Bérard & Saleilles, 2016; Cornforth, 2014; Hoffman et al., 2012; Mamao, 2011; Nazarkina, 2012; Roelofsen et al., 2015). Nevertheless, quantitative methods could have been employed following the approach by Chambers (2014), where the author used the data collected via interviews and focus groups to calculate the amount of attention paid to different growth strategies, opportunities and threats.

## **6. Conclusion**

It is becoming clear that a growing population and current production and consumption practices are contributing to numerous environmental and social challenges around the globe. Businesses have traditionally been perceived as a cause to the problems however, they also have the potential to become a solution. This thesis focuses on sustainability-driven companies that see their mission in increasing environmental and social benefits and reducing negative impacts whilst obtaining commercial gains.

The research question posed in this thesis explored how growth of sustainability-driven companies can influence their sustainability profile and credentials. By addressing this question, the author has achieved the aim of this thesis in developing a comprehensive analytical framework that provides a method for identifying and analysing current and potential threats and opportunities that can be caused by a company's growth. The first version of the framework was developed based on the in-depth exploration of existing literature and tested on the case company, Oatly. The application of the framework to the case company and the findings retrieved from the literature review allowed to develop two comprehensive matrixes. The matrixes presented both positive and negative influences of each of the growth factors (overtrading, expansion to new markets, formalised systems, and change in leadership and ownership) on a company's credentials embedded in the core, micro, and macro-level were outlined.

In consideration of the positive consequences of growth, the results demonstrated that business growth could help the company to scale-up its positive impact by opening access to new markets and countries. Growth allows the company to become more recognizable and engage more people to solve environmental and social issues not only from the side of customers but also to attract passionate, like-minded professionals to work for the company. Growth reflected in bigger commercial success and higher production rates attracts more funding to support sustainability initiatives and programs. The size of the enterprise also plays a significant role in its ability to be heard by governmental entities, competitors, and partners. Therefore, business growth accelerates the company's potential for positive market transformation.

The negative consequences of business growth are often associated with the company's mission drift caused by a shift of focus from environmental and social goals to purely commercial gains. For example, the entrance of new investors and managers with a strong commercially-driven mindset should be considered as a potential threat to the company's initial sustainability values and goals. Moreover, business growth often results in high turbulence, the increasing number of administrative tasks, lack of time and a significant increase in the number of employees, which can undermine the company's values, focus on long-term goals, and ability to communicate a positive message to its employees, suppliers, partners, and customers.

The findings bear significant implications for businesses, policy-makers and impact investors. Firstly, sustainability-driven enterprises can utilise the provided description of common opportunities, tensions and pitfalls for incorporating them in the strategy development process, or they can employ the analytical framework to their case from scratch and develop a comprehensive and detailed set of challenges and opportunities adapted for their enterprise. Secondly, the identified consequences of growth are important to acknowledge not only by sustainability-driven enterprises but also by the investors and governmental bodies whose intention is to support this type of business. In order to encourage sustainability-driven businesses in the most effective and efficient way, impact investors and policy-makers have to

be aware of how the company's potential to positive change and market transformation may vary depending on the growth-related changes that the company goes through.

This thesis highlights the various areas that future research could expand upon. The suggestions for further work include testing the analytical framework on a larger amount of cases representing different industries and operating in different political and cultural environments. This could contribute to the continued improvement of the framework structure. Moreover, several versions of the framework could be developed for various industries (e.g., food, clothing, transport) in order to improve its applicability and derive more insightful results. The case study of Oatly could be a good start for further exploration of growth-related challenges that the plant-based food industry is facing.

Another area for future research is the development of tools and mechanisms that can help sustainability-driven companies stay more resilient to changes caused by their growth. The discussion section of this thesis has already touched upon the potential of the framework to be an instrument for identifying opportunities and tackling growth-related tension. Nevertheless, this potential as well as supplementary coping mechanisms needs further investigation. The case of Oatly demonstrated how companies can increase their ability to stay true to their initial environmental and social goals by the means of maintaining a sense of purpose among their employees, a strong sustainability brand, careful recruitment and diversified funding resources. This could be a good starting point for further exploration of coping mechanisms.

Even though sustainability-driven enterprises represent a pathway towards a sustainability transition of the global economic system and understanding of the opportunities and challenges they face along the way is important for driving this transition, such companies should not be considered a silver bullet solution. Strengthened collaborative efforts from all market players, including governments, consumers, international institutions and industries are required for building a sustainable and just future.



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## Appendix I – List of Data Sources

Reference used in the text	Position	Justification	Date	Duration
<b>Interviews Conducted by the Autor</b>				
R1	Sustainability Specialist	The interviewee actively participated in the compilation of the latest sustainability report, is aware of numerous aspects of sustainability work across the company operation and is involved in projects on employee commitment.	April 14, 2020	25min
R2	Director for Supply Chain in Europe	The interviewee's department is responsible for the sourcing of the ingredients, packaging and transportation, which overall covers 70% of CO <sub>2</sub> product emissions.	April 21, 2020	50min
R3	Supply Chain Manager	The respondent is responsible for the company's oat supply. Has been working in the company almost since its foundation.	April 23, 2020	55min
R4	Member of the Executive Management Team	Responsible for the cultural adaptation and formalisation of the processes in the periods of rapid growth.	April 29, 2020	50min
R5	General Manager EMEA	Gave valuable insights on market transformation and Oatly's global mission, communication and collaboration with partners, competitors and customers.	April 30, 2020	40min
R6	External Expert	External consultant who provided a valuable information on the sustainability-related challenges that small companies face as they grow.	April 27, 2020	60min
R7	Industrial Environmental Researcher, Lund University	The respondent provided information on growth-related tensions and opportunities with regard to the expansion of production activities of sustainability-driven firms.	May 5, 2020	46min
<b>Sustainability report 2018</b>				
Oatly, 2018	The report provides a comprehensive overview of the company's sustainability profile and credentials. Moreover, it contains valuable information on the most critical challenges that Oatly's growth poses on the company's vision and activities. URL: <a href="https://www.oatly.com/uploads/attachments/cjzusfwz60efmatqr5w4b6lqd-oatly-sustainability-report-web-2018-eng.pdf">https://www.oatly.com/uploads/attachments/cjzusfwz60efmatqr5w4b6lqd-oatly-sustainability-report-web-2018-eng.pdf</a> (retrieved in February 2020)			
<b>Interview Not Conducted by the Author</b>				

<b>R8</b>	CEO	<p>The interview was conducted by Goldman Sachs and is publicly available via the following link: <a href="https://www.youtube.com/watch?v=IFB1kPTTL0A">https://www.youtube.com/watch?v=IFB1kPTTL0A</a> (retrieved in March 2020)</p> <p>Even though, for obvious reasons it did not follow the interview guide prepared for this research, it gives a lot of first-hand insight on the company's sustainability vision, aspects of Oatly's growth and CEO's leadership style. The interview was transcribed and coded according to the general coding process used in this research (Appendix IV).</p>	February 2020	18min
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## Appendix II – Interview Guide

Although the interviews conducted were semi-structured which means they were characterised with a high level of flexibility and on-the-go adjustments in order to retrieve more detailed elaboration on what the interviewee had mentioned, the list of **general questions** was created:

- What is your role in the company?
- How would you characterise the company’s growth?
- How has the company’s growth influenced the sustainability aspects of your work?

In addition to that, a more elaborated set of questions has been designed based on the analytical framework used in this research. The questions presented in the table below were not used in all the interviews. Some of them were selectively used in cases when the general questions needed more elaboration and adjusted for certain interviewees depending on their roles and expertise.

Sustainability Credentials: The Core	
<b>Vision and Mission</b>	<ol style="list-style-type: none"> <li>1. How would you characterise Oatly’s vision and core values?</li> <li>2. How is sustainability embedded in Oatly’s vision and value? (optional, if the respondent has not provided sufficient information while answering the first question)</li> <li>3. Have the core values and vision changed over time?</li> <li>4. Were those changes directly/indirectly caused by the company’s growth? If yes, how exactly?</li> <li>5. Are you experiencing any problems with retaining and reinforcing sustainability vision and values? If yes, what are the problems exactly?</li> <li>6. Optional: Have you hired people who are not aligned with the culture and values of the company?</li> </ol>
<b>Positive Leadership</b>	<ol style="list-style-type: none"> <li>7. What were the key events in the history of the company with regard to ownership and leadership?</li> <li>8. What was (how big was) the role of former and current leaders (CEOs) and owners in retaining sustainability values and improving sustainability performance?</li> </ol>
<b>Long Time Horizons</b>	<ol style="list-style-type: none"> <li>9. What is the usual timeframe considered during decision making (one year or more than one year)?</li> <li>10. What is the timeframe of your sustainability strategy?</li> <li>11. Are there any tensions related to maintaining (short-term) growth and sustainability values?</li> </ol>
Sustainability Credentials: Micro-Level	
<b>Suppliers and Communities</b>	<ol style="list-style-type: none"> <li>12. How has your approach to dealing with suppliers in the context of sustainability changed over time? What tools did you use/are you using now to monitor a supplier’s sustainability performance? Has the size of supplying companies changed over time?</li> <li>13. How did Oatly’s rapid growth change (both negatively and positively) the sustainability of your supply chain?</li> </ol>
<b>Employees</b>	<ol style="list-style-type: none"> <li>14. How do you manage and sustain the well-being of your employees?</li> <li>15. How your employee policy has changed over time?</li> <li>16. Has a rapid growth of employee number and activities in the company affected the employees’ well-being or the company’s ability to monitor it?</li> </ol>
<b>Customers</b>	<ol style="list-style-type: none"> <li>17. How does Oatly play a role in encouraging sustainable consumption and has this role changed over time?</li> <li>18. How do you communicate your sustainability vision with customers and how this communication has changed over time?</li> </ol>
Sustainability Credentials: Macro-Level	
<b>Market Transformation</b>	<ol style="list-style-type: none"> <li>19. Competitors: How has your market competition landscape has changed over time?</li> <li>20. Competitors: What role has your sustainability-oriented approach played in interaction with your competitors?</li> <li>21. Global market: How is your rapid growth influencing your role as one of the leaders of global market transformation?</li> </ol>



	<p>22. Global market: In the latest sustainability report you included Nancy Bocken’s opinion on one of the aspects of sustainable growth: “...if growing means creating new demand that didn’t exist before, or selling unnecessary products, then it is harder to legitimize”. Could this be the case for Oatly in new markets (e.g., China)? If so, how do you perceive this issue?</p>
<b>Extra</b>	<p>23. What core sustainability credentials and values were not mentioned yet?                  24. Have they been influenced by Oatly’s rapid growth? If so, how exactly?                  25. What are/were other tensions related to the dilemma “grow vs. stay sustainable” faced by Oatly?</p>
<b>Growth-related Challenges</b> (based on the questions used in Roelofsen et al. (2015))	
<b>Overtrading</b>	<p>1. During your growth, have you experienced periods of turbulent growth (uncontrollable and sudden growth in demand in existing and new markets)?                  2. If so, what were the consequences of the increase in production rates for reinforcing and retaining Oatly’s sustainability values and credentials?</p>
<b>Expansion into new markets or products</b>	<p>3. What were the underlying reasons for introducing new products?                  4. What were the underlying reasons for expansion to new markets?                  5. What were the consequences of the expansion into new markets and products for reinforcing and retaining Oatly’s sustainability values and credentials?                  6. Specific: In the latest sustainability report you have mentioned that Oatly’s sustainability performance got worse due to the rising number of business travel and shipping and outlined some of the measures you are willing to undertake in order to “fix it”. How is work in this area going in 2019 and 2020?</p>
<b>Formalisation of the processes</b>	<p>1. During your growth, have you experienced the need to formalise any of your processes (developing guidelines, changes in organisational structures and delegation of control and tasks)?                  2. If so, what were the consequences of the formalisation for reinforcing and retaining Oatly’s sustainability values and credentials?</p>
<b>Change in ownership and leadership</b>	<p>3. During your growth, have you experienced any changes in leadership? If so, what were they?                  4. During your growth, have you experienced any changes in ownership? If so, what were they?                  5. What were the consequences of these changes for reinforcing and retaining Oatly’s sustainability values and credentials?</p>
<b>Extra</b>	<p>6. What are other aspects of your rapid growth that in any way dilute or reinforced Oatly’s sustainability values and credentials?</p>

## Appendix III – Interview Consent Form

Prior each interview, the participants received and were asked to fill in the consent form.

### CONSENT FORM

This form is to ensure that you have been given information about the research project and to give you opportunity to confirm that you are willing to take part in this research. For all activities below, please indicate (with X) which applies to you:

X	I have been <b>familiarised</b> with the thesis project, I have had the possibility to ask questions and I have received satisfactory answers to my questions
	As a research participant, I am <b>aware of my right</b> to withdraw participation at any time.
	I give my consent that the <b>content of my interview can be transcribed, analysed and published</b> in research outputs for the project.
	I give my consent to be <b>identified by name</b>
	I give my consent to <b>be identified only by my position in the organization</b>
	I give my consent to <b>be identified only by my organization</b>
	I give my consent that the interview can be <b>audio-recorded</b>
	I give my consent that an <b>audio-record of my interview</b> can be safely stored for future reference.

**Note:** Your participation is voluntary. As an interviewee, you do not have to answer all the questions that are asked; you reserve the right to refuse or cease participation in the interview process without stating your reason and may request to keep certain materials confidential. At any stage of the research (until June 1, 2020), you have a right as a research participant to gain access to your own personal data, request its correction or deletion or limitation to processing of data as well as file a complaint about how your personal data is used.

Please, sign below to confirm your consent:

	Participant(s)	Researcher(s)
<b>Name(s)</b>		Ekaterina Kushnir
<b>Signature(s)</b>		
<b>Date(s)</b>		

For any enquiries regarding this research, please contact:

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## Appendix IV – Coding Process (Sustainability Credentials and Growth Factors)

Code	Meaning (Examples)
<b>Sustainability Credential Areas</b>	
<b>Socially and Environmentally Embedded Mission</b>	<p>“We are a company that puts sustainability at the forefront of everything we do. I mean, it truly is at our core.” (R2)</p> <p>“We see our goal to drive global change and drive this global shift to a more plant-based way of eating.” (R2)</p>
<b>Positive Leadership</b>	<p>[Toni Petersson, CEO]: “We must always have more people working here who are focused on doing the right things than those focused on earning money. It’s my job to make sure that remains the case.” (Oatly, 2018, p. 83)</p> <p>“I think, that it is a financial decision to expand and it doesn't have to be a contradiction to the willing to do something good for the planet. I think, it's especially from our own management, from Toni, I think it's a genuine interest in doing something good.” (R3)</p>
<b>Long Time Horizons</b>	<p>“How can we balance short-term business activities with long-term sustainability goals? These are hot topics here at Oatly.” (Oatly, 2018, p. 15)</p>
<b>Suppliers and Communities</b>	<p>“2018 was a tough year involving a lot of ad hoc solutions and extra shipments of products, all of which means our climate footprint moved in the wrong direction.” (Oatly, 2018, p. 26)</p> <p>“And now we are a bigger customer, so it's easier to ask for things and be listened to.” (R1)</p>
<b>Employees</b>	<p>“We increased our number of employees by 75 percent last year and about half of everyone...the whole company is new” (R1)</p> <p>“How do we make sure everyone’s feeling good and has access to the information they need? And how do we maintain our values and culture throughout a giant growth spurt?” (Oatly, 2018, p. 54)</p>
<b>Customers</b>	<p>“We want to be open about everything we do. By promising to be a good company, we always have something to explain, defend, justify and especially, to improve. It also means that we engage in a close and constant dialogue with consumers, suppliers, researchers and pretty much all of society.” (Oatly, 2018, p. 15)</p> <p>“If it wasn't for sustainability, there would be no rationale for consumers to change over from milk to a plant based alternative.” (R5)</p>
<b>Market Transformation</b>	<p>And we can dictate our demands to our suppliers and partners around the world, which in turn affects more people and business- es. The concept of “sustainable growth” can never be limited to a single company and its products. (Oatly, 2018, p. 9)</p>
<b>Growth Factors</b>	

<p><b>Overtrading</b></p>	<p>“So basically, our growth is huge. And the main, I guess, or the first thing I think about is the increase in the production site” (R1)</p> <p>“When a company grows as quickly as we are growing, more resources are going to be needed. It’s just part of the deal.” (Oatly, 2018, p. 9)</p> <p>“What scares me, though, is when you build yourself into investments that will be hard to change long-term.” (R1)</p>
<p><b>Expansion to New Markets</b></p>	<p>“And you know, our transportations, because we now are selling to so many more countries and markets... the transportation has gone up.” (R1)</p> <p>“When we need to shift to other countries, there will be more climate impact from transportations.” (R1)</p> <p>“It’s a big challenge to make sure that everyone will keep the same values and that we have the same commitment. And now we’re also global. So, it’s harder for me to work with people in the US, for example” (R1)</p> <p>“It [oats] has always been a commodity what we buy, and we try now to define it more and more to say what can we do to take a step within sustainability. And of course, in oats it’s easier for us to do that in Sweden, where we have contacts and possibilities which we don’t have in Canada or in Australia.” (R3)</p>
<p><b>Formalisation of the Processes</b></p>	<p>“I didn’t call it [supply chain] that at the time. I was just trying to make things work.” (R3)</p> <p>“And now we have our guiding principles in what kind of mindset and what we value at Oatly. So, it is quite clear what we are looking for. And that’s very good, because if that’s clear, it’s also easier if someone joins the company...” (R4)</p>
<p><b>Change in Leadership and Ownership</b></p>	<p>“We have a very confusing set up for decisions and management . . . because we used to be small, so everybody used to make decisions in the kitchen and now it’s growing. . . . early this year and last year, they added a new level of decision making.” (R1)</p> <p>“Oatly is owned by Industrifonden, the Foundation for Baltic and East European Studies, Verlinvest, China Resources, the company’s founders, private individuals and our employees.” (Oatly, 2018, p. 6)</p>

*Note.* Provided quotes from the sustainability report and the interviews do not represent the list of all the quotes used for the analysis. They are only examples used to demonstrate the logic behind the coding process.

## Appendix V – Coding Process (Consequences of Growth)

Areas where sustainability credentials are embedded	Growth Factors			
	Overtrading	Expansion to New Markets	Formalisation of the Processes	Change in Leadership and Ownership
<b>The Core</b>				
<b>Socially and Environmentally Embedded Mission</b>	<p>“Increasing production generates more process wastewater.” (Oatly, 2018, p. 22)</p> <p>“The production rate is prioritised over improvement projects.” (Oatly, 2018, p. 23)</p>	<p>“New production facilities in markets without access to renewable energy sources.” (Oatly 2018, p. 22)</p> <p>“...we’ve included corruption as an area to address in our risk assessment of new suppliers.” (Oatly, 2018, p. 15)</p>	<p>“we are challenged every day by our consumers and by ourselves, <b>sustainability department</b> or even employees on different levels, and on our mission” (R5)</p>	<p>“I think it will be even more challenging if sales go down, for example. Then maybe they will be more...putting sustainability more second.” (R1)</p>
<b>Positive Leadership</b>	<p>“the leadership influences very much the well-being of the workforce. So, it's, of course, a lot about what kind of leadership principles and skills should be in place.” (R4)</p>			
<b>Long Time Horizons</b>	<p>“How can we balance short-term business activities with long-term sustainability goals? These are hot topics here at Oatly” (Oatly, 2018, p. 15)</p>			
<b>Micro-Level</b>				
<b>Suppliers and Communities</b>	<p>“2018 was a tough year involving a lot of ad hoc solutions and extra shipments of products, all of which means our climate footprint moved in the wrong direction.” (Oatly, 2018, p. 26)</p>	<p>“We have also increased our sales to markets that are farther away. In the long term, we hope to start production in more locations around the world, providing more localised supplies of Oatly products in more markets. But even when that happens, there will still be shipments required, so we need to work toward improving the efficiency of those shipments by increasing our percentage of renewable fuels.” (Oatly, 2018, p. 50)</p>	<p>“if you know us at all by now, we carefully measure and monitor water consumption in our production facility in Landskrona. And in 2018 we also started to collect water data from our partners, too. This isn't an easy task (not to complain), because most of them have a lot of different customers, which makes it tough to separate out the water consumption specifically linked to our products. But we are doing our best.” (Oatly, 2018, p. 32)</p>	
<b>Employees</b>	<p>“as a company, when your annual growth hits a slightly crazy 65%, you're going to need a lot from your employees. Like a (super) fast</p>	<p>“Rapid increase in staff and globalisation make it difficult to establish a unified sustainability</p>	<p>“But I'm thinking if you want to draw parallels, I guess in some other parts it could be beneficial that you enter into a company which really has</p>	<p>“It's like new people teaching new people how to do things that</p>

	work pace, innovative thinking, and the energy to welcome new colleagues, whom you'll want to introduce to the company in the best way possible." (Oatly, 2018, p. 52)	culture." (Oatly, 2018, p. 22)  "It's a big challenge to make sure that everyone will keep the same values and that we have the same commitment. And now we're also global. So, it's harder for me to work with people in the US, for example." (R1)	an extreme focus, has tools, has methodologies for audits of suppliers and can really serve everything that you need." (R6)	can be quite stressful." (R1)
<b>Customers</b>	"people think it's their Oatly, because they were the first movers and embraced us fifteen years ago when we were small and fairly unknown. And now we're this big... big in an international environment, but quite big in the in the category. They think we're taking the wrong steps. But that's because they don't really fully understand what we're doing. It doesn't have to be handmade and super locally produced to be super sustainable. And they think we are industrialised. So that perception could be there, but it's wrong and we're trying to communicate that in different ways" (R5)	"One advantage of getting bigger as a company is that it becomes easier to reach more people and get them to listen. As we grow, we have more opportunities to generate attention and discuss the issues we're so passionate about. And we can dictate our demands to our suppliers and partners around the world, which in turn affects more people and businesses." (Oatly, 2018, p. 9)		"The negative sides of it would come in with the Chinese ownership." (R7)
<b>Macro-Level</b>				
<b>Market Transformation</b>		"With your brand, you get these partnerships like we do now, as I said, with Starbucks, with Beyond Meat, with other frontrunners in the sustainability and the sustainable drive going forward." (R5)		

*Note.* Provided quotes from the sustainability report and the interviews do not represent the list of all the quotes used for the analysis. They are only examples used to demonstrate the logic behind the coding process. Quotes in green were identified as an indication of positive consequences of growth; quotes in red – negative.