It’s Not Easy Being Green, or Why Sustainability Entrepreneurs Sell Their Businesses

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Abstract

This paper presents a literature review and a preliminary conceptual model to address the following research question: What influences the choice of sustainability entrepreneurs to sell their businesses? Based on secondary data, I present several cases of sell-outs of sustainable lifestyle entrepreneurial firms to large mainstream corporations and question the motivation behind these sell-outs. Applying subjectivist perspective on entrepreneurship to resource dependence theory, I propose that entrepreneurial judgement, and more specifically perceived value of technological and marketing capabilities offered by a strategic investor, perceived financial capabilities of a single venture capital investor, perceived complexity of managing a syndicate of venture capital firms and, finally, perceived risk of competition, influence entrepreneurial decision to sell the business. These propositions are based on the assumption that sell out is an investment for growth, rather than a harvest strategy for an entrepreneur. I conclude this paper by summarising expected theoretical and practical contributions of my research.
Introduction

“It’s not easy being green
Having to spend each day the colour of the leaves
When I think it could be nicer being red, or yellow or gold
Or something much more colourful like that.”
- Kermit the Frog (Sesame Street)

Although Kermit the Frog complained that it is not easy being green because there are so many other green things in the world and therefore it is difficult to get noticed, “green” entrepreneurs, on the contrary, do not suffer from the lack of attention. Over the past twenty years many successful green entrepreneurs have been “noticed” by mainstream corporations and were eventually acquired. In this paper, I am looking at the case of sustainable lifestyle entrepreneurship; more specifically I am interested to understand why so many sustainability entrepreneurs choose to sell their businesses instead of growing them in a different way (e.g. organically, acquiring other firms or via franchising, licensing and strategic alliances/joint ventures). Thus I am addressing the following research question: What influences the choice of sustainability entrepreneurs to sell their businesses?

My paper offers an unusual perspective to the topic of the 2011 oikos Young Scholars Entrepreneurship Academy: I am investigating the problematic of sustainable industries not from the point of view of clean production but from the point of view of responsible consumption. Although this is a departure from the main focus of the 2011 Academy, I believe that my paper can contribute to the more general discussion on transformation of industries and diffusion of social innovations.

This paper proceeds as follows: First, I define the sustainable lifestyle industry; then I present a literature review on firm growth strategies, starting with sell-outs and then focusing on organic growth/no growth, acquisitive growth and hybrid growth (franchising, licensing and strategic alliances/joint ventures). Based on secondary data (i.e. media reports drawn from LexisNexis database and corporate web-sites), I illustrate some of these growth strategies with specific examples of sustainable lifestyle entrepreneurial firms. Further to this, I outline a preliminary conceptual model of factors influencing the choice to sell the business. I conclude with expected theoretical and practical contributions of my research. This paper is part of my dissertation project on growth strategies of sustainability entrepreneurs.

Sustainable lifestyle entrepreneurship

Sustainable transformation of industries cannot be achieved quickly enough to make a difference if only production aspects are taken into consideration. Supply and demand are equally important. We may have cleaner energy alternatives through the use of cleaner fossil fuel technologies or renewable energy, but the actual amount of emitted carbon will to a large degree depend on consumer choices – how we travel, which electronic equipment we use, what we eat, where we live, what we wear. For example, manufacturing of a car is very material, energy and water intensive; however the carbon footprint of a car is generated mostly during the use phase: 84% of CO₂ emissions are emitted during the use of a car versus 16% of CO₂ emissions during its production (WWF, 2008). And carbon emissions are only part of wider sustainability implications of our consumption patterns. In addition to our contribution to climate change, our lifestyle choices lead to resource depletion, loss of biodiversity and inequality.

So what is exactly a sustainable lifestyle? “Sustainable lifestyles are patterns of action and consumption, used by people to affiliate and differentiate themselves from others, which: meet basic needs, provide a better quality of life, minimise the use of natural resources and emissions of waste and pollutants over the lifecycle, and do not jeopardise the needs
of future generations” (CSfD, 2004). The question of sustainable lifestyles has received a considerable attention on both international and European levels. As a response to unsustainable production and consumption challenges identified during the 2002 World Summit on Sustainable Development in Johannesburg, the International Task Force on Sustainable Lifestyles was launched in 2002 as part of a global effort to promote sustainable consumption and production, or the so-called Marrakech Process, lead by United Nations Environment Programme (UNEP) and the United Nations Department of Economic and Social Affairs (UNDESA). On the European level, the SPREAD Sustainable Lifestyles 2050 project was launched in January 2011 with a purpose to develop “a roadmap for strategic action for policy makers and <to> deliver innovative ideas for business, research and society, regarding the enabling of sustainable lifestyles in European society” (http://www.sustainable-lifestyles.eu/).

What is the role of business in achieving transformation to a more sustainable lifestyle? Large scale and lasting behavioural change of consumers can only be achieved if there is a necessary infrastructure in place. This means less carbon-intensive modes of travelling (e.g. electric cars, car-sharing models, road infrastructure friendly for cyclers), less environmentally polluting agriculture (and thus more sustainable food, drinks and clothing), more energy efficient buildings. On the one hand, sustainable lifestyle choices should be promoted by governments; on the other hand, businesses (both large and small) should be providing these choices. However, large companies are less flexible and more risk averse and the challenge of offering sustainable lifestyle choices has been first taken up by small sustainable lifestyle entrepreneurial firms.

Hockerts and Wuestenhagen (2010) refer to such firms as “emerging Davids”, as opposed to market incumbents referred to as “greening Goliaths”. Emerging Davids are usually “idealists” as they are strongly committed to sustainability goals but as a consequence tend to “keep their niche at a size that is not attracting undue interest from incumbent competitors” (p. 487). The success of emerging Davids drives the development of new profitable market niches which are eventually noticed by Goliaths that launch copy-cat products mimicking early successes of Davids. However, according to Hockerts and Wuestenhagen, a true industry transformation is achieved only when a new generation of less idealistic and more business-minded Davids enters the market, while Goliaths gradually transform their core businesses by integrating sustainability into all business operations.

Hockerts and Wuestenhagen adopt an industry perspective in their study and do not focus on the details of interaction between Davids and Goliaths. However, one may wonder, what happens to the first generation of Davids? Can Davids and Goliaths happily co-exist in the market? The trend that will be further explored in this paper is numerous cases of acquisitions of Davids by Goliaths (Austin & Leonard, 2008; Mirvis, 2008). The sale of Ben & Jerry’s to Unilever in 2000 provoked a wave of fury from Ben & Jerry’s most loyal customers. Six years later The Body Shop was sold to L’Oreal, which was again met with a storm of criticism. Since 2006 it has almost become a trend – one after the other sustainable lifestyle firms have been selling out to large corporations. Tom’s of Maine, Stonyfield Farm Yogurt, Green & Black’s, Burt’s Bees, Innocent Drinks and Honest Tea are only some of the

1 For more information please refer to:
http://www.unep.fr/SCP/marrakech/taskforces/lifestyles.htm

2 Practitioner-focused literature also refers to the sustainable lifestyle industry as LOHAS (Lifestyle of Health and Sustainability), see www.lohas.com.

3 The size of the sustainable lifestyle industry in the USA was estimated at $227 billion in 2003 (http://www.lohas.com/forum/lohas8/markets/index.html), $290 billion in 2008 (http://www.lohas.com/about.html) and it was projected to reach $420 billion in 2010 (Mooth, French, & Moore, 2009). A similar trend of rapid market growth is recorded for the UK-based sustainable lifestyle industry which has grown from £13.5 billion ($21 billion) in 1999 to £36 billion ($56 billion) in 2008, nearly a three-fold increase (Co-operative Bank, 2009).
examples of sustainable lifestyle firms sold to large corporations - Colgate, Danone, Cadbury Schweppes, Clorox and Coca-Cola respectively.

In this paper I do not question the ethics of the decision to sell out. In fact, sell-outs are a common strategy of bringing innovations to the market and it is often used by technology-based ventures (for example, see Schweizer, 2005). However, what I am interested to understand is whether sustainable lifestyle entrepreneurs have any other alternatives to grow their businesses, instead of selling them to mainstream corporations. What about strategic alliances or joint ventures? Or franchising and licensing? Finally, if the scale of operations is crucial for business survival and profitability, what about increasing the scale by merging with other small sustainable lifestyle businesses in the same sector? I will first outline past research on entrepreneurial/business exits, then I will provide a literature overview on other alternative growth strategies.

Why do entrepreneurial firms sell out?

What do we know about why entrepreneurial firms sell out? Past research suggests that there are at least three main reasons for entrepreneurial sell-outs: first, small entrepreneurial firms may be “pushed” towards a sell-out when they face difficult strategic hurdles (e.g. raising finance or hiring a new CEO) (Graebner & Eisenhardt, 2004); second, they may be “pulled” towards a sell-out by organisational support which is offered by an acquirer (e.g. an opportunity to use existing production facilities or distribution channels of a parent company) (Graebner & Eisenhardt, 2004); and third, business founders may be interested to exit the business as a result of either failure (distress sale) or success (harvest sale) (Wennberg, Wiklund, DeTienne, & Cardon, 2010). Let’s explore each of these reasons in more details.

**Being “pushed” towards a sell-out**

The growth of any firm is limited by its access to capital (Bruno & Tyebjee, 1985; Schwienbacher, 2007). Some firms may be able to grow organically, relying only on reinvestment of their profits (“wait-and-see” strategy); however, most high-growth firms with “just-do-it” strategy consume more cash than they generate and therefore organic growth may not be a feasible option for capital-constrained entrepreneurs (Schwienbacher, 2007). The most common route for entrepreneurial firms to find additional funding to support their growth is venture capital (VC) (financial investor). Another form of growth capital, which is less explored in academic literature, is selling equity to a strategic investor (e.g. a large corporation).

Investments by established companies in entrepreneurial firms are sometimes referred to as corporate venture capital (CVC). Most previous research on CVC has been conducted from the perspective of the investing firm, while the investee’s point of view on the deal is often not in the scope of research (e.g. Dushnitsky & Lenox, 2006). Several studies are the exception: Graebner and Eisenhardt (2004) showed that sellers may be proactively “courting acquirers” in order to raise the required finance, while Maula, Autio and Murray (2009) suggested that entrepreneurial firms can get more wide-ranging support from strategic investors than from independent venture capital firms; however the cooperation between entrepreneurial firms and strategic investors involves a trade-off between openness and self protection from attempts of the parent corporation to misappropriate any unique knowledge within the entrepreneurial firm. As described by Katila, Rosenberger and Eisenhardt (2008), entrepreneurs seeking capital from strategic investors often have to “swim with sharks”.

In addition, the literature on corporate divestitures (or business exits) suggests that sell-outs may be motivated by “underperformance at the firm and the business level, a lack of strategic fit and/or focus, a lack of resources, over-diversification, executive turnover, blockholder ownership, takeover threats, and environmental factors such as industry, uncertainty, and the institutional setting” (Decker & Mellewigt, 2007: 50). Although some of
these factors are mostly relevant for large public firms (e.g. over-diversification, executive turnover, blockholder ownership), others can be equally applied to explain sell-outs of smaller privately held firms (e.g. underperformance, a lack of strategic fit, lack of resources, industry and environmental uncertainty).

**Being “pulled” towards a sell-out**

The buyers’ perspective on mergers and acquisitions (M&A) still dominates the management and entrepreneurship literature; as a result we still know very little as to why some successful firms may be interested to sell out. Graebner and Eisenhardt (2004) have recently started a new research direction by switching the attention from buyers to sellers (see also Graebner, 2004; Katila, Rosenberger, & Eisenhardt, 2008; Graebner, 2009; Graebner, Eisenhardt, & Roundy, 2010). More specifically, Graebner and Eisenhardt showed that sellers may be “pulled” towards an acquisition by organisational support which is offered by an acquirer if a seller lacks certain capabilities to achieve growth, such as technological capabilities (e.g. production facilities to increase product offering) or marketing capabilities (e.g. distribution channels or experience). There is also some evidence that sellers sometimes simultaneously approach both strategic and financial investors, thus increasing the firm sale value (Brau, Sutton, & Hatch, 2010).

**Exits of business founders**

Paradoxically, exits of business founders, or entrepreneurial exits, are also a relatively unexplored topic in the entrepreneurship literature, “even though entrepreneurial exit has a significant effect on the entrepreneur, the firm, competitive market dynamics and economies through wealth redistribution” (Wennberg et al, 2010: 362). DeTienne (2010) defines an entrepreneurial exit as “the process by which the founders of privately held firms leave the firm they helped to create; thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm” (p. 204).

Most previous research equated entrepreneurial exits with the failure of the firm or individual entrepreneurs. However, in a recent publication Wennberg and colleagues (2010) argued that exits may be a consequence of both failure and success and proposed to distinguish between distress sale (or liquidation) and harvest sale (or liquidation). In another recent publication DeTienne (2010) proposes a model which predicts the timing and the form of an entrepreneurial exit. Nascent and infant firms are characterised by weak emotional ties of a founder to the venture; this makes it relatively easy for a founder to exit the venture by terminating the business idea or liquidating the firm. The main reason for exiting business at this stage is entrepreneurial motivation (e.g. alternative opportunities elsewhere). The more the firm grows (moving from infancy to adolescence and maturity), the more the emotional attachment of the founder to the venture grows and the more his/her ownership diminishes. This development results in a completely different set of exit strategies such as selling equity to private equity firms, strategic investors, public offerings, employee or management buy-out, as well as the sale to another individual via business broker. The reasons for exiting the venture also change as the firm moves from infancy to maturity. The reasons may include a desire to harvest initial investment, retirement plans or a need to access growth finance (DeTienne, 2010).

**Consequences of sell-outs**

Although harvest sale may result in a lucrative reward for a business founder (Wennberg et al, 2010) and potentially in performance improvement of a sold firm/unit (Decker & Mellewigt, 2007), there is also extensive evidence that sell-outs can lead to significant organisational changes in the acquired firm, including layoffs of employees. Initial layoffs can have an influence on the morale of remaining employees which leads to further ‘brain drain’ and impacts firm productivity and innovative capabilities (Krug & Hegarty, 2001; Paruchuri, Nerkar, & Hambrick, 2006; Kapoor & Lim, 2007; Spedale, Van Den Bosch, & Volberda, 2007).
To sum up, entrepreneurial firms may decide to sell out for the following reasons: (1) strategic hurdles faced by the firm (e.g. need to raise growth finance, underperformance, lack of strategic fit, environmental uncertainty); (2) lack of capabilities required for independent growth; and (3) exit of a business founder as a majority owner to extract some or all of the economic value from the investment (harvest sale) or to avoid bankruptcy or liquidation of a poorly performing firm (distress sale). The form of a sell-out (e.g. firm liquidation, equity sale to private equity investor/strategic investor) may depend on the development stage of an entrepreneurial venture, as well as on psychological factors (such as the degree of emotional attachment to business venture). Although a sell-out may result in a harvest for a founder, there is extensive evidence that acquired firms suffer from a range of post-acquisition problems which lead to high employee (and senior management) turnover and low employee morale.

Which other growth strategies do entrepreneurial firms have?

McKelvie and Wiklund (2010) suggest distinguishing between the following growth strategies of entrepreneurial firms: no growth, organic growth, acquisitive growth and hybrid growth (the latter includes franchising, licensing, strategic alliances and joint ventures). Although these growth strategies are fundamentally different, they have one aspect in common - they offer a possibility to grow the firm as an independent entity, rather than a subsidiary of another firm. This section will briefly introduce past research on each of these growth strategies focusing on their antecedents and consequences. Table 1 in Appendix summarises the subsequent discussion.

No growth/organic growth

Previous academic research has tended to regard growth as a necessary and desirable process for any firm (e.g. Mishina, Pollock, & Porac, 2004). Most studies adopted ‘the bigger the better’ perspective and considered small firm size and low rates of growth as a problem referring to the ‘liability of newness’ and ‘liability of smallness’ (Stinchcombe, 1965; Bruderl & Preisendorfer, 1998). Arguing with this view as overly simplistic, Davidsson (1989) showed that there are many businesses with a low ‘willingness-to-grow’ (‘growth motivation’). These firms prefer to stay small or to grow organically for the fear of reduced employee well-being, the loss of a positive and creative atmosphere of a small firm and the loss of control over the firm. Davidsson’s arguments were further explored by a number of other researchers (e.g. Wiklund, Davidsson, & Delmar, 2003; Cliff, 1998; Gimeno, Folta, Cooper, & Woo, 1997) who also provided evidence that an entrepreneurial attitude towards growth (i.e. beliefs regarding the consequence of ‘more adventurous’ growth modes) may influence the choice of growth strategy and subsequently the rates of growth.

One of the problems with existing growth literature is defining what exactly constitutes growth. Various measurements of growth were put forward including the increase in the number of employees, sales, profitability, the list goes one (Weinezimmer, Nystrom and Freeman, 1998). For example, growth can be achieved without increasing the number of employees but focusing on operational efficiencies (if profits or sales are used to determine whether a firm is growing or not). Since it is conceptually difficult to distinguish between no growth and organic growth, I will be treating them as one strategy which is based on the progressive firm development. The main advantage offered by organic growth/no growth is a high survival rate (Wiklund, Davidsson, & Delmar, 2003; Zou, Chen, & Ghauri, 2010). Moreover, small and young firms often do not have any other option to grow since they lack the necessary managerial and entrepreneurial capabilities to support other growth modes (Penrose, 1959). However, organic growth/no growth may not be an option in industries where scale of operations equals survival (e.g. in the wine industry - Delacroix & Swaminathan (1991)). An additional disadvantage of prolonged organic growth is a risk of losing competitive edge as firms are likely to become less innovative over time unless they implement drastic organisational changes (Vermeulen and Barkema, 2001).
**Franchising**

Small, young and capital-constrained firms may be also pursuing franchising as a form of hybrid growth strategy (Oxenfeldt & Kelly, 1969). Hybrid growth strategies involve growth via the use of contractual organisational forms that are neither market nor hierarchy (Shane, 1996). According to Michael (1996), “a franchise is a legal contract between a trademark owner (franchisor) and a local user (franchisee) to sell products or services under the owner’s trademark employing a production process developed by the franchisor” (p. 59). The main advantage of franchising is rapid expansion which can lead to economies of scale with a relatively modest investment on the side of a franchisor, since franchisees invest their own capital (Combs & Ketchen, 1999). Franchising brings an additional revenue stream in the firm, as well as new competent personnel with the knowledge of local markets. This is especially beneficial for firms pursuing internationalisation strategy (Combs & Ketchen, 2003). However, franchising has its own disadvantages. It involves giving up a certain degree of control over the firm since franchisees are quasi-independent units. Moreover, franchisees do not always act in the best interest of a franchisor, thus leading to problems of free-riding and reputational impacts (Jensen & Meckling, 1976).

**Licensing**

Licensing is another form of a hybrid contractual arrangement. It involves selling rights for an intellectual property (technology or product) to a licensee (McKelvie & Wiklund, 2010). Large corporations, such as IBM and Dow Chemicals, generate hundreds of million dollars by their licensing activities (Lichtenthaler, 2008). A specific example of technology licensing is Motorola’s decision to sell property rights on its GMS technology to direct competitors - Nokia and Ericsson (Kline, 2003). In addition to a new revenue stream, licensing may be a strategic option for small firms to overcome deficiencies in manufacturing base and to commercialise their innovation if they cannot launch production independently (Fosfuri, 2006). Licensing also brings strategic benefits since a licensor gets an opportunity to learn from a more experienced partner and to influence the development of new markets in the direction which will enhance licensor’s competitiveness (Kline, 2003; Lichtenthaler, 2007). However, similar to franchising, licensing may lead to opportunistic behaviour of a licensee and leakages of proprietary information (McKelvie & Wiklund, 2010). Additionally, licensing leads to the increase in competition (since the barriers of market entry are removed) and potentially to the decrease in the price of a licensed technology/product; however, the evidence suggests that the revenue generated through licensing outweighs the losses (Fosfuri, 2006).

**Strategic alliances and joint ventures**

Strategic alliance can be defined as “administrative arrangement to govern an incomplete contract between separate firms in which each partner has limited control” (Gomes-Casseres, 1997: 34). Strategic alliances can take a form of joint ventures, cooperative marketing or R&D arrangements (joint ventures are equity-based forms, while other forms of alliances are contract-based). The main reason for entering strategic alliances/joint ventures is to get access to new capabilities and resources (Das & Teng, 2000) particularly while entering new geographic markets (Hollenstein, 2005; Kirby & Kaiser, 2003; Chen & Huang, 2004). Thus a strategic alliance/joint venture may be a less risky and a less costly internationalisation strategy than organic or acquisitive growth. Strategic alliances and joint ventures are also particularly attractive for smaller firms since they increase their survival rates (Baum & Oliver, 1991) and improve their competitive positions (Beekman & Robinson, 2004). Additionally, strategic alliances and joint ventures provide small firms with an opportunity to ‘become big’ by ‘staying small’ and competing with larger firms as a constellation of firms rather than on their own (Gomes-Casseres, 1997). However, strategic alliances and joint ventures lead to the same range of opportunism problems as other contractual forms of growth.
**Acquisitive growth**

Acquisitive growth is achieved by purchasing controlling interests in another firm and integrating the acquired firm within current operations (Lockett, Wiklund, Davidsson, & Girma, 2011). Acquisitions bring similar benefits to alliances by allowing a firm to get access to new capabilities and resources (particularly while entering new geographic markets) (Wiklund & Shepherd, 2009). These new resources also have a potential to ‘revitalise’ the firm, in particularly the one which has been growing organically over prolonged period of time (Penrose, 1959; Vermeulen and Barkema, 2001). However, one of the biggest issues in acquisitive growth is post-acquisition integration of the acquired firm which, if it is not done well, can result in value destruction on both sides (Pablo, 1994; Schweizer, 2005; Graebner, Eisenhardt, & Roundy, 2010).

Villalonga and McGahan (2005) highlighted a number of reasons why some firms are more likely to choose acquisitions over strategic alliances/joint ventures. Among those are valuable technological resources; successful experience of acquisitions in the past; firm’s prior diversification; and industry relatedness to a partner/target firm. In addition, Hennard and Reddy (1997) found support that bigger firms tend to acquire smaller firms rather than enter into alliances with them. There is also evidence that some alliances further lead to acquisitions, especially if the alliance is performing successfully. Using the terminology of the real options theory, alliances represent a real option to acquire a partner firm at a later stage (e.g. Brouthers and Dikova, 2010; Brouthers, Brouthers & Werner, 2008; Kogut, 1991).

**Examples of growth strategies in sustainable lifestyle industry**

**Howies and Timberland**

As an illustration to the previous discussion on antecedents and consequences of firm growth strategies, let’s look at specific examples in the sustainable lifestyle industry. I will start by telling a story of howies. howies (with a small ‘h’) is a producer and retailer of organic and durable sports clothing based in the UK. It was founded in 1995 by two sustainability entrepreneurs (David and Clare Hieatt) with a mission to ―make people think about the world we live in‖ by offering fashionable and environmentally-friendly clothing. Since its creation in 1995, the business was rapidly growing. For over ten years David and Clare Hieatt financed howies expansion by investment from family and friends, however:

“Around 12 months ago, both myself and Clare realised that we would need more funding and this time it would take millions of pounds. We had already re-mortgaged our house twice, and used the rest of the house to guarantee the company overdraft. <...> We knew we couldn’t give howies any more money. We didn’t have any more to give. <...> So the answer for both of us was clear and that was to find a like-minded company to help howies become brilliant at being howies. <...> Looking around we could only find three companies around the world that do business our way. <...> Our aim wasn’t to get the biggest deal but to find the right one for howies. <...> After speaking to all three, we knew whom we wanted to partner with. And that was Timberland. <...> They understood why we do business our way. It’s their way too.” (http://www.howies.co.uk/content.php?xSecId=56&viewblog=557, 4th December 2006)

In 2006 howies was sold to Timberland (conventional large sports clothing manufacturer and retailer). Later on in the interview David Hieatt asserted that howies would “maintain creative control of howies as <they> always have done, and the same management team will continue to run the company from good old Cardigan Bay. <...> So really it’s business as usual” (http://www.howies.co.uk/content.php?xSecId=56&viewblog=557, 4th December 2006). However, in October 2009, three years after the sale of howies to Timberland, David Hieatt announced that he was leaving the company: “Yesterday was my last day at howies. It was my choice to leave. It was a hard thing to do and easy thing to do. The morale of the story is simple. If you find something you love, you should never sell your love.
When other people own your dream, destiny is no longer in your hands” (http://brainfood.howies.co.uk/2009/10/11295, 27th October 2009).

Why did howies decide to sell out? Did it have any other option to grow and finance its growth? What about VC-backed expansion via franchising or strategic alliances? Early in its organisational life howies made a commitment to “grow slow, grow strong” (http://www.howies.co.uk/content.php?xId=1268xPg=1) using finance only from family and friends and thus responding only to their closest people, rather than external shareholders. Later on, howies announced its decision not to attract VC finance as it “would put too much pressure on us to grow and, maybe, force us to start cutting corners that we would have found hard to live with” (http://www.howies.co.uk/content.php?xSecId=56&viewblog=557, 4th December 2006).

Sounds very familiar to what Hockerts and Wuestenhagen (2010) earlier described as the first generation of idealistic Davids protecting their market niche and careful about maintaining their high standards. However, in this particular example we should be wary that provided quotes are drawn from the howies online blog which is in a way a public relations instrument used by howies to project values that it would like its customers to associate with howies. The actual reasons for the sell-out may not be only the lack of finance to support growth (after all, howies could have chosen not to grow in the pace that it was growing), but a desire of the founders to exit the business and receive returns on their investment (since David and Claire Hieatt remortgaged their house twice).

**PJ Smoothies and PepsiCo**

Another story is about PJ Smoothies. PJ was the founder of the smoothies market in the UK in 1994. At that time, it was very similar to howies with a ‘fun and funky’ web-site and corporate image. In 2005 it was sold to PepsiCo (Express, 2005). According to the agreement between PJ and PepsiCo, PJ’s operational structure and manufacturing facilities were to be preserved. Shortly after the acquisition, in an interview with The Grocer, Andrew King, CEO of PJ, stated that PJ was still a standalone business and in many respects it remained the same (Grocer, 2005). Prior to the sale to PepsiCo, PJ was a rapidly developing company with steadily increasing sales and it had made an initial attempt at international expansion (in Ireland). For PJ, the cooperation with PepsiCo was a strategy to fight off the increasing competition from Innocent Drinks – another sustainable lifestyle firm in the UK which was offering all natural and organic smoothies.

However, the cooperation did not work out as well as it was expected. In 2009 PepsiCo announced the closure of the production of the PJ brand (Grocer, 2009) as part of the world-wide restructuring; however, the speculation on the future of the PJ brand have been up in the air for a while as PepsiCo launched another smoothies brand under the Tropicana umbrella, thus leaving PJ “in the shadow” of Tropicana (Grocer, 2009). Additionally, PepsiCo interfered with the market positioning of the PJ brand by changing the product ‘look’ and pricing policy. This resulted in the loss of an association between the brand and its consumers and a progressive decrease in sales. What was claimed by PJ as an ‘investment for growth’ resulted in a ‘death sentence’, not only for the firm as an organisational entity but also for the brand.

One may wonder why PJ Smoothies decided to sell out to PepsiCo instead of, for example, partnering with or merging with Innocent Drinks (if the competition from Innocent Drinks was that strong). How much was PJ “pushed” towards a sell-out and how much was it “pulled” towards a sell-out? And what was the role of personal interests of PJ’s founder (Harry Cragoe) to exit the business which was suffering losses from the increasing competition on the side of Innocent Drinks? (After all, Harry Cragoe set up PJ “after he sold his flat and his car to leave himself with £100,000, a suitcase of clothes and a coolbox crammed with smoothies” (Express, 2005), which basically means investment of all personal wealth in one company.)
Innocent Drinks and Coca-Cola

My third sell-out story is about Innocent Drinks. It was founded by Richard Reed and his Cambridge-graduate friends Adam Balon and Jon Wright. They came up with an idea to set up Innocent Drinks during their snowboarding holiday in February 1998 and started selling their first smoothies at the Glastonbury music festival later that year using only £500 worth of fruit. They put up a large sign asking whether they should give up their jobs in order to produce smoothies and got a very positive response from their customers. Using a start-up capital from a business angel, the company started rapidly growing. However, as if howies and PJ’s examples were not enough to discourage Innocent Drinks’ founders to grow by selling firm ownership to large corporations, it first sold a minority stake (18%) to Coca-Cola in 2008, followed by another 40% in 2010. According to Richard Reed, CEO of Innocent Drinks:

“Every promise that Innocent has made, about making only natural healthy products, pioneering the use of better, socially and environmentally aware ingredients, packaging and production techniques, donating money to charity and having a point of view on the world will remain. We’ll just get to do them even more. The founders will continue to lead and run the company, we will be the same people in the same offices making the same products in the same way.” (Guardian, 2009)

In the interview with The Financial Times, Richard Reed describes the details of the financial arrangements with Coca-Cola:

“Ours is an interesting deal; a key feature is the separation of share ownership from the control rights of the company, so while Coke is the single biggest shareholder, we the founders retain operational control. Of course, having Coke as an investor brings big advantages: we can leverage Coke’s route to markets in countries we wouldn’t otherwise be able to operate in, and they help us access better rates on everything from media to oranges. <…> This deal will help us get our little bottles of healthiness to many more people.” (Financial Times, 2010)

So far, judging by the evidence from media reports, the interaction between Innocent Drinks and Coca-Cola has been rather successful. It may be the result of the learning curve on both sides: emerging Davids seem to be structuring their sell-out deals better (partial sell-out of ownership, retaining either the majority shareholding or operational control), while greening Goliaths are learning how to integrate Davids in their business without “destroying” them, thus providing evidence for the industry transformation pattern as described by Hockerts and Wuestenhagen (2010)\(^4\). More specifically, it appears that Coca-Cola is actively establishing its presence in the sustainable lifestyle industry by using an acquisition model similar to the one used in Innocent Drinks case (minority acquisition, followed by majority acquisition)\(^5\). In 2008 Coca-Cola acquired 40% stake in Honest Tea

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\(^4\) Several indirect indicators of the gradual transformation of the beverages industry are as follows: first, the intense competition between Coca-Cola and PepsiCo in producing bottles made from plant materials (and thus fully recyclable). In 2009 Coca-Cola announced the launch of PlantBottle™ made from a blend of petroleum-based materials and up to 30% plant-based materials (sugar cane and molasses). Two years later, in March 2011, PepsiCo announced the launch of the world’s first PET bottle made entirely from plant-based materials (switch grass, pine bark and corn husks) (Atlanta Journal-Constitution, 2011). Another example, is the launch by Coca-Cola two new products Cassal (handcrafted all-natural soda) and Sokenbicha (unsweetened bottled teas made of “natural botanicals”). Interestingly, Coca-Cola positions them as stand-alone brands similar to Innocent Drinks and customers cannot identify the true owner by looking at the product label or product’s Facebook page/Twitter stream.

\(^5\) Coca-Cola’s strategy is similar to technology corporate venture capital but it is unique in the beverages sector. Coca-Cola’s Venturing and Emerging Brands (VEB) team is an internal think tank
(US-based organic bottled tea company); in March 2011 it acquired the outstanding 60% stake.

Similar to the Innocent Drinks case, the relationship between Coca-Cola and Honest Tea seems to be productive: since receiving its first investment in 2008, Honest Tea has increased its distribution from about 15,000 outlets in 2008 to more than 75,000 in 2011, introduced a ground-breaking Honest Tea plastic bottle that uses 22% less material and doubled its product line (Business Wire, 2011). Commenting on the deal, Honest Tea’s co-founder, Seth Goldman, mentioned: “We’ve been engaged to Coke for the past three years, and now we are getting married. When you’re engaged to somebody, you’re around them enough that you can gauge any bad habits. So we don’t really expect any surprises, and we certainly have developed a good working relationship.” (Washington Post, 2011)

Another successful acquisition of Coca-Cola in the sustainable lifestyle industry is Odwalla (natural juice manufacturer in USA) purchased in 2001 in a trade sale from the syndicate of VC firms (Bain Capital Inc.; Catterton-Simon Partners, an affiliate of William E. Simon & Sons; and U.S. Equity Partners, the private equity arm of Dresdner Kleinwort Wasserstein). Prior to the trade sale to Coca-Cola, Odwalla was pursuing an acquisitive growth itself by acquiring Fresh Samantha (also a natural juice manufacturer in USA) in 2000 (Daily Deal, 2001).

**Zipcar**

This brings me to my last story. This time I will focus on the example of successful independent growth in the sustainable lifestyle industry, backed up by venture capital and based on proactive acquisitions. Zipcar is a US-based car-sharing company popular among college students and city residents. It allows customers to rent cars at an hourly or daily rate and often park in convenient spots in the city centre (where parking is scarce and expensive). Despite annual losses since Zipcar’s creation, mounting to an accumulated deficit of $65 million in 2010, it has been rapidly expanding, both in the USA and internationally, by acquiring Flexcar (USA) in 2007, Avancar (Spain) in 2009 (minority acquisition) and Streetcar (UK) in 2010. After receiving six rounds of VC finance, Zipcar has raised $174 million in the initial public offering (IPO) on NASDAQ Stock Exchange in April 2011, 30% more than initially planned. The proceeds from the IPO will be used to pay down the debt (including from the recent acquisition of Streetcar) and to continue expanding the business (Wall Street Journal, 2011). Although Zipcar is warning its investors that losses should be expected for 2011-2012 (since it still has to make a lot of upfront investment in its fleet in order to reach the scale which would allow Zipcar to be profitable), there is a lot of excitement about Zipcar’s shares on the stock market.

So what is different between Zipcar and Innocent Drinks or howies in terms of their preference for particular growth strategies? Why did the former prefer to grow independently while the latter decided to grow as subsidiaries of larger corporations? Similar to Innocent Drinks and howies, achieving scale was critical to survive in the market. Also similar to Innocent Drinks and howies, Zipcar faced a lot of competition from market incumbents such as Hertz Global Holdings Inc, who also started rival car-sharing services. Additionally, Zipcar faces an increasing competition from the next generation of car-sharing start-ups such as RelayRides, GetAround and Spride Share which are built around the idea of sharing personal vehicles (owned by people in the neighbourhood) instead of a business entity like Zipcar. The following section will present a preliminary conceptual model which can help explain the choice of growth strategies made by entrepreneurial firms. Table 2 summarises examples of sustainable lifestyle entrepreneurial firms provided in this section.
How do entrepreneurs choose between growth strategies?

As it follows from Table 1, previous research has focused on explaining the choice of a growth strategy mostly from the firm/industry level perspective (e.g. financial constraints, lack of capabilities, firm age and size, geographic expansion, etc.). Only the choice of organic growth and sell-outs was linked to individual level factors (entrepreneurial motivation, e.g. personal concern over unmanageable pace of rapid growth, interest to receive returns on initial investment, etc.). Another difficulty with the existing body of research on firm growth strategies is that most prior research tended to consider a “choice between the use or non-use of the specific growth mechanism rather than <...> a choice between different ways of achieving growth” (McKelvie & Wiklund, 2010: 278). Thus prior research investigated the ‘choice of’ a growth strategy, but not the ‘choice between’ growth strategies. This resulted in the situation when the same predictors were used to explain the choice of different growth strategies. For example, firm age and size were found to be related to the choice of organic growth (Davidsson, Steffens, & Fitzsimmons, 2009), but also to the choice of franchising (Öxenfeldt & Kelly, 1969) and strategic alliances (Gomes-Casseres, 1997). Similarly, past research suggested that capital constrained firms are more likely to license their technologies (Kline, 2003; Lichtenhaler, 2007), but also they are likely to franchise their business (Combs & Ketchen, 1999) or to sell it out (Graebner & Eisenhardt, 2004). Geographic expansion plans were suggested to explain why firms franchise existing businesses (Combs & Ketchen, 2003), but also set up strategic alliances (Hollenstein, 2005; Kirby & Kaiser, 2003; Chen & Huang, 2004) or acquire other firms (Wiklund & Shepherd, 2009).

Therefore a different approach should be followed in order to explain the ‘choice between’ growth strategies. Combining subjectivist perspective on entrepreneurship (Kor, Mahoney, & Michael, 2007) with resource dependence theory (Pfeffer & Nowak, 1976; Pfeffer & Salancik, 1978), I propose that the choice of growth strategy will be related to perceived attractiveness of complementary resources (financial and nonfinancial) offered by strategic investors, perceived complexity of managing relationship with a syndicate of VC firms and perceived risk of competition in the industry. I will further put forward three preliminary propositions predicting the choice of firm growth strategies. My research is planned as an exploratory mixed methods study (Creswell, 2009) and therefore these literature-derived propositions will be further refined (and phrased as hypotheses) during the qualitative data collection and analysis phase. The testing of hypotheses will be done at the second stage of data collection and analysis. The three propositions outlined below are based on the assumption that an exit is not a strategy for entrepreneurial harvest but an investment for growth.

**Subjectivist perspective on entrepreneurship**

Proponents of the subjectivist perspective on entrepreneurship suggest that “a subjectivist theory rejects orthodox neoclassical microeconomic theory’s strict definition of perfect economic rationality where actors engage in predictable moves on the basis of well-defined choice sets. Indeed, <it> embrace(s) the Austrian economics (and existentialist) proposition that the future is not merely unknown, but unknowable.” (Kor, Mahoney, & Michael, 2007: 1188). One of the streams of research in this research tradition is on the role of judgements in decision-making processes (Mitchell & Shepherd, 2010; Haynie, Shepherd, & McMullen, 2009; Choi & Shepherd, 2004). Judgements can be defined as an “individual’s understanding of relationships among objects” (Priem, 1994: 421). According to the subjectivist view, independent of theoretical prescriptions on the best performing strategies, entrepreneurs will be choosing those strategies that they believe should be the best for the firm. For example, perceptions of profitability and feasibility of an opportu-

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6 In the related research stream on executive judgements, Priem (1994) gives the following example to illustrate the importance of judgements in strategic decision-making as compared to predictions
nity (Mitchell & Shepherd, 2010), its rarity and wealth-generation potential (Haynie, Shepherd, & McMullen, 2009), as well as perceptions of more knowledge of customer demand, more fully developed technologies, greater managerial capability and greater stakeholder support (Choi & Shepherd, 2004) were found to explain entrepreneurial preference for certain opportunities. A good illustration of the importance of perceptions in entrepreneurial decision-making is offered by the quote from Bo Burlingham’s (2005) book ‘Small Giants’: “Up to that point, Erickson had been convinced that he had no real choice but to sell. His two largest competitors - Power Bar and Balance Bar - had recently been sold to Nestlé and Kraft, respectively. He and Thomas, who was the CEO, were terrified of competing head-to-head against multibillion-dollar conglomerates that had the financial resources to wipe them out overnight. They believed that, by selling to other giant company, they could protect Cliff Bar and its employees, since they themselves would remain in control.”

Additionally, entrepreneurs may be using subjective methods to choose among available alternatives. Entrepreneurial organisations operating in complex and uncertain environments were shown to be less comprehensive” in their strategic decision-making and relying more on heuristics (or ‘rules-of-thumb’) (e.g. Hill and Levenhagen, 1995; Smith, Gannon, Grimm, & Mitchell, 1988) than larger, established companies. Bingham, Eisenhardt and Furr (2007) define heuristics as “rules for choosing an opportunity, such as which types of countries to enter, which types of customers to target, and which product to develop. They narrow the range of opportunity choices by specifying which to pursue and which to ignore.” (p. 32). Examples of entrepreneurial heuristics include ‘strategic fit’, ‘know the market’, ‘trusting others’, ‘trusting gut’ and ‘worst case scenario’ (Bryant, 2007). The ‘trusting gut’ heuristics, mentioned by Bryant, was referred to by other researchers as entrepreneurial intuition (Blume & Covin, 2011; Mitchell, Friga, & Mitchell, 2005). Although heuristics helps entrepreneurs make sense of the available information and prioritise the search of new information, it may also lead to cognitive biases. Previous studies found that entrepreneurs are more susceptible to cognitive biases than managers of large organisations (Busenitz & Barney, 1997). However, more recent research contradicts these findings arguing that entrepreneurs are as biased (or even sometimes less biased) as other categories of population (e.g. students or bankers) (Burmeister & Schade, 2007).

Decision comprehensiveness is defined as “a concept that captures the extensiveness with which an organization’s top executives systematically gather and process information from the external environment in making strategic decisions” (Forbes, 2007: 362). Decision comprehensiveness has also been referred to in the academic literature as “decision rationality” (e.g. Priem, Rasheed, & Kotulic, 1995) or “procedural rationality” (e.g. Dean & Sharfman, 1996).

Bingham, Eisenhardt and Furr (2007) distinguish between different types of heuristics, including selection heuristics (choosing between opportunities, e.g. targeting only specific customer types), procedural heuristics (rules for opportunity exploitation, e.g. ‘hold weekly meetings between engineers and marketers’), temporal heuristics (sequence, pace or synchronisation rules for opportunity exploitation, e.g. ‘enter one country every two months’) and, finally, priority heuristics (rules for ranking opportunities, e.g. ‘enter English speaking markets first’).
Resource dependence theory

Resource dependence theory is a framework for explaining why firms form interorganisational relationships: in the absence of specific resources which are necessary for firm’s continued operations and growth, a firm will be seeking ties with other firms which can provide these resources (Pfeffer & Nowak, 1976; Pfeffer & Salancik, 1978). By combining resource dependence theory with subjectivist view on entrepreneurship, I propose that it is not the lack of resources per se which explains the choice of growth strategy pursued by an entrepreneurial firm but the perception of attractiveness of resources (financial and nonfinancial) offered by another firm. If the perceived attractiveness of resources is high, entrepreneurial firms may be less comprehensive in their decision-making relying more on entrepreneurial heuristics.

Illustrating this point with previously mentioned examples of sustainable lifestyle firms, it may be the case that Innocent Drinks perceived that technological and marketing capabilities, which it was lacking but which were offered by Coca-Cola, were crucial to ensure the growth of Innocent Drinks. “We can leverage Coke’s route to markets in countries we wouldn’t otherwise be able to operate in” (Financial Times, 2010) is an example of an entrepreneurial judgement which could have influenced the choice of a sell-out over alternative growth strategies. It may even be possible that alternative growth strategies (e.g. partnering with/merging with/acquiring Traktor to enter the Swiss market) were not considered because of the heuristics that “we wouldn’t otherwise be able to operate” in new geographical markets. With regards to Zipcar, similar technological and marketing capabilities, which could have been offered by Hertz Global Holdings Inc, may have been perceived by Zipcar as less valuable and thus not worth selling the firm. Therefore, I propose:

Proposition 1. Sustainability entrepreneurs will be more likely to sell their businesses to strategic investors when perceived technological and marketing capabilities offered by a strategic investor are considered as crucial for the firm growth.

Additionally, when growth costs significantly exceed perceived financial capacities of a single financial investor such as VC capital provider, entrepreneurial firms may prefer a sell-out to an alternative growth strategy backed up by venture capital. VC firms are often limited in the amount that they can invest in one company since, by limiting the amount of investment in each portfolio company, VC firms minimise the risk of under-performance of the whole portfolio. In order to satisfy capital requirements of entrepreneurial firms, VC investors have to form syndicates with other VC investors (Manigart et al, 2006; Dimov & Milanov, 2010). Although the total amount of equity relinquished does not increase with the number of VC investors (since equity relinquished is defined by overall capital needs of an entrepreneurial firm) (Bruno & Tyebjee, 1985), the complexity of interaction between an entrepreneurial firm and its investors increases. Therefore:

Proposition 2a: Sustainability entrepreneurs will be more likely to sell their businesses to strategic investors when firm growth costs significantly exceed perceived financial capacities of a single financial investor.

Proposition 2b: Sustainability entrepreneurs will be more likely to sell their businesses to strategic investors when perceived complexity of managing a syndicate of financial investors is high.

Another reason for deciding to sell a firm may be the increasing levels of competition (as in the example of PJ Smoothies). When firms face increasing competition, their resources are ‘squeezed’ and their competitive position becomes vulnerable (Eisenhardt & Schoonhoven, 1996). Thus, approaching a strategic buyer may be a strategy to secure access to valuable resources which can maintain firm growth. Moreover, entrepreneurial firms may be proactively looking for buyers in order to prevent the formation of a new stronger com-
Proposition 3: Sustainability entrepreneurs will be more likely to sell their businesses to strategic investors when perceived risk of increased competition is high.

Conclusion

In this paper I have outlined research problem (sell-outs of sustainable lifestyle entrepreneurial firms to large mainstream corporations), provided a literature review on firm growth strategies and proposed a preliminary conceptual model. My research aims to contribute to the discussion on the choice of firm growth strategies and, more specifically, on the choice of sell-outs over other alternative ways of growing the firm. I also hope that I will be able to make a theoretical contribution by further developing the subjectivist perspective on entrepreneurship. My paper presented only a very first attempt to apply the subjectivist perspective to the problematic of the choice of growth strategies. I would appreciate feedback on the propositions which were put forward, as well as suggestions for further improvement. I also hope that my research will be beneficial for practitioners - sustainability entrepreneurs who make decisions on growth of their firms in real life. By highlighting the spectrum of possible growth strategies and emphasising the role of perceptions and heuristics in choosing between growth strategies, I hope to be able to show alternative paths to growth which do not result in a sell-out.

Concluding this paper, I would like to return to my earlier comment that I do not consider sell-outs as necessarily the wrong strategy to follow and my research is mainly motivated by the interest to understand why sell-outs and not something else. After all, borrowing the quote from Nicky Owen, director of consumer service brands at brand agency Dragon, “Treated correctly, even the most avant-garde brands can thrive under the stewardship of a large, mainstream company. It is not necessarily detrimental to be bought out by a bigger company. Large does not mean worse. In many instances larger companies are the size they are because people love them.” (Grocer, 2005)
References


It's Not Easy Being Green, or Why Sustainability Entrepreneurs Sell Their Businesses – Liudmila Nazarkina


## Appendix

### Table 1. Antecedents and consequences of firm growth strategies

<table>
<thead>
<tr>
<th>Growth Strategy</th>
<th>Antecedents</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| **Sell-out**        | Individual: entrepreneurial motivation  
                      | Firm / industry: financial constraints, underperformance, lack of capabilities | harvest (entrepreneur), performance improvement (seller’s side)               | post-acquisition integration (seller’s side), risk of misappropriation of unique knowledge, loss of control |
| **Organic growth**  | Individual: entrepreneurial motivation  
                      | Firm / industry: firm age and size               | higher survival rates                                                        | reduced ability to innovate, not possible to achieve economies of scale quickly |
| **Franchising**     | Individual: entrepreneurial motivation  
                      | Firm / industry: firm age and size, financial constraints, geographic expansion | rapid expansion, economies of scale, entry to new markets, new revenue stream | partial loss of control, agency problems |
| **Licensing**       | Individual: financial constraints, deficiency in manufacturing base | new revenue stream, strategic benefits, learning from experienced partner | agency problems, increase of competition, reduced price of licensed technology |
| **Strategic alliance/joint venture** | Individual: access to new capabilities and resources, geographic expansion, firm size | increase in competitiveness, increase in survival rates, less risk and fewer costs for international expansion | agency problems |
| **Acquisitive growth** | Individual: access to new capabilities and resources, geographic expansion | firm revitalisation | post-acquisition integration (buyer’s side) |
Table 2. Growth strategies in sustainable lifestyle industry

<table>
<thead>
<tr>
<th>N</th>
<th>Focal firm</th>
<th>Partner firm(s)</th>
<th>Deal date</th>
<th>Growth strategy</th>
<th>Focal firm profile</th>
<th>Profile of partner firm(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ben &amp; Jerry’s</td>
<td>Unilever</td>
<td>2000</td>
<td>Sell-out (further to IPO in 1984)</td>
<td>Ice-cream (often with politicised campaigns) (USA)</td>
<td>Conventional household goods and food products (USA)</td>
</tr>
<tr>
<td>2</td>
<td>Odwalla</td>
<td>(a) Fresh Samantha,</td>
<td>2000, 2001</td>
<td>Acquisitive growth (a) backed up by VC capital, then sell-out to Coca-Cola (b).</td>
<td>Natural juices (USA)</td>
<td>(a) Organic juice and energy bars (USA), (b) conventional beverages manufacturer (US branch)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) Coca-Cola</td>
<td></td>
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<td></td>
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<td>3</td>
<td>Stonyfield Farm</td>
<td>Danone</td>
<td>2001</td>
<td>Sell-out</td>
<td>Organic dairy (USA)</td>
<td>Conventional dairy (France)</td>
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<td></td>
<td>Yogurt</td>
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<td>4</td>
<td>PJ Smoothies</td>
<td>PepsiCo</td>
<td>2005</td>
<td>Sell-out</td>
<td>Natural smoothies (UK)</td>
<td>Conventional beverages and snacks (UK branch)</td>
</tr>
<tr>
<td>5</td>
<td>The Body Shop</td>
<td>L’Oreal</td>
<td>2006</td>
<td>Sell-out</td>
<td>Organic cosmetics (often with politicised campaigns) (UK)</td>
<td>Conventional cosmetics (France)</td>
</tr>
<tr>
<td>6</td>
<td>Tom’s of Maine</td>
<td>Colgate</td>
<td>2006</td>
<td>Sell-out</td>
<td>Natural personal care products (USA)</td>
<td>Conventional dental, personal and home care and pet nutrition (USA)</td>
</tr>
<tr>
<td>7</td>
<td>howies</td>
<td>Timberland</td>
<td>2006</td>
<td>Sell-out</td>
<td>Organic and durable sports clothing (UK)</td>
<td>Conventional sports clothing (USA)</td>
</tr>
<tr>
<td>8</td>
<td>Zipcar</td>
<td>(a) Flexcar, (b) Avancar,</td>
<td>(a) 2007, (b) 2009, (c) 2010</td>
<td>Acquisitive growth funded by VC investment; IPO in April 2011</td>
<td>Car-sharing (USA)</td>
<td>Car-sharing firms in USA (a), Spain (b) and UK (c)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(c) Streetcar</td>
<td></td>
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</tr>
<tr>
<td>9</td>
<td>Innocent Drinks</td>
<td>Coca-Cola</td>
<td>2008, 2010</td>
<td>Minority sell-out (18%), additional 40% of stock sold to Coca-Cola in 2010</td>
<td>Natural smoothies (UK)</td>
<td>Conventional beverages (UK branch)</td>
</tr>
<tr>
<td>10</td>
<td>Honest Tea</td>
<td>Coca-Cola</td>
<td>2008, 2011</td>
<td>Minority sell-out (40%), followed by complete sell-out (additional 60%)</td>
<td>Organic bottled tea (USA)</td>
<td>Conventional beverages (US branch)</td>
</tr>
</tbody>
</table>