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A HOLISTIC STRATEGY GUIDE TO FINANCING SE'S

EMPOWERING SOCIAL ENTERPRISES TO ACCESS FINANCIAL RESOURCES DURING GROWTH STAGES

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Preface

This scientific paper concludes an extensive research endeavor conducted during the pursuit of my Global Business & Sustainability master's thesis at the Erasmus University Rotterdam School of Management. It is with great pleasure and gratitude that I present this work to the scientific community, showcasing the findings and insights gathered over the last five months. It's been a productive period, both in terms of the research outputs, as well as in terms of personal development. The critical thinking, time management, research skills and collaboration with other researchers, organizations, and coaches, needed to bring this thesis to its completion, have profoundly improved during this period, for which I would first and foremost like to thank my coaches, who have been instrumental in guiding and supporting me throughout this research journey. Their expertise and commitment have helped shape the trajectory of this study. I would like to express my special appreciation to Aleksandra Wrobel, for her continuous guidance, insightful feedback, and encouragement. It's given me the ability to keep pushing and develop the rigor of this study. I would also like to extend my gratitude to Joep Cornelissen and Daan Peeters for their valuable contributions and guidance at various stages of this research. Their expertise and insightful suggestions have played a vital role in refining the methodology and strengthening the overall quality of this study. Furthermore, I wish to thank the Bioregional Weaving Lab for granting me the opportunity to conduct this research for their institution. The support and resources provided by the organization were invaluable in facilitating the smooth execution of this study. I would like to thank Karin for her assistance and accommodation of my research needs. Finally, I wish to thank the fellow students with whom I participated in the broader research that the BWL set out together with RSM, for their mental and content-related support.

Undertaking this research has been a transformative experience, one that has broadened my understanding of the subject matter and had direct positive implications for my professional career in NbS-financing. I hope that this scientific paper contributes to the existing body of knowledge and sparks further discussions and investigations in this field. It is my sincere hope that the findings presented herein will be of value to researchers, practitioners, and stakeholders alike.

 For any questions or comments regarding this master thesis project, please contact me by e-mail: thom-sabel@hotmail.com

Thom Sabel, Rotterdam, June 2023

Executive summary

This study is part of a broader research project conducted by a team of six students from Erasmus University in collaboration with The Bioregional Weaving Lab (BWL), a collective of social innovators addressing climate and biodiversity crises. The broader study focuses on examining the business models and scaling strategies of landscape restoration innovations within BWL's portfolio. The collaboration between Erasmus University and BWL aims to understand how these innovations can be scaled in their respective regions. The specific purpose of this study is to provide clarity on financing strategies for social enterprises (SEs) in the Netherlands, regarding their business models and external financing acquired from investors, to assist them in decision-making and improve access to financial resources throughout their lifecycle. The importance of this research stems from the challenges that SEs face in attracting finance due to their hybrid nature. While social finance institutions have attempted to alleviate this barrier, attracting finance remains difficult for SEs. Furthermore, scholars have addressed the need to systematically connect the choice of an SE business model to its (financial) management model, providing a holistic view of financing strategies, a field that has become increasingly complex due to the addition of many new social finance instruments. By addressing these existing gaps in the literature and developing theories on SE financing strategies and management, the study aims to contribute to both practical and theoretical domains. The research question guiding this study therefore is the following:

"How can Dutch Social Enterprises manage their financing strategies through various stages of their lifecycle to enhance access to financial resources?"

This study boasts a comprehensive research design and utilizes qualitative data collection and analysis methods to gain in-depth insights into the financing strategies and business models of SEs. The research design deployed descriptive exploratory research using a qualitative multiple case study approach. The data collection methods included the use of extant literature, secondary data from archival sources and desk research, as well as eleven semi-structured interviews with selected SEs. The sample of SEs was selected using purposive non-random sampling. Data analysis was conducted using cross-case thematic analysis. Multiple rounds of coding were performed to identify emerging themes within and across the cases. The subsequent rounds of coding aimed to uncover the reasons and motivations behind the SEs' choices and movements in their financing strategies. The analysis revealed differences and overlaps between SEs with a primary non-profit logic and those with a primary for-profit logic. However, the underlying aggregate dimensions were found to be similar and provided for an understanding of the results.

The data from this study suggests that SEs perceive no reason to deviate from their dominant logic, being either non-profit of for-profit, both due to market circumstances as well as due to their own perceptions. Market circumstances create challenges for non-profits that want to increase their monetization and push for-profit organizations towards increased commercialization. The SEs themselves don't consider operating in the middle of the two logics, as they need to use their resources efficiently and the tensions that arise when operating in the middle are not supportive of this goal. Moreover, they might not be knowledgeable of how to operate in this region. Operating in this region is thus perceived as trivial and consequently, a gap arises between the two logics, which keeps them from blending logics and incentivizes them to operate in their traditional ways.
The existence of this gap explains why SEs seeking to increase monetization cannot follow the path suggested by previous literature. The study concludes that there are specific operating zones within which SEs can safely operate and transition. Two separate operating zones exist below the monetization

threshold, while one zone is located above it. The threshold represents the break-even point where expenses equal income. SEs operating below this threshold and attempting to increase monetization with commercial revenues will eventually reach a plateau where these revenues start cannibalizing their ability to acquire donations. At this point, they must bridge the gap and fully switch to a for-profit logic to further increase monetization. This transition can be achieved in the early stages by utilizing philanthropic or government income as commercial revenue, with transparent management being crucial. Alternatively, SEs can establish a separate for-profit entity. For SEs operating above the monetization threshold, aligning the social and economic mission is important, often by incorporating a humanitarian social mission alongside an ecological one. Furthermore, these for-profit SEs can improve monetization by leveraging commercial revenues in some way. The combination of these strategies represents the SBM3 model, which is the most preferred outcome as it leads to the highest level of monetization.

Regarding their external financing strategies SEs should be more aware of their position on the spectrum and relative to the monetization plateau to strategize their next steps and communicate their goals internally and to external financiers. They can seek funding through grants, subsidies, crowdfunding, regular venture capital, or utilize their own capital or reserves to finance the jump across the threshold. Crowdfunding and convertible debt constructions, although often overlooked, can efficiently help SEs bridge the gap. Moreover, SEs should acquire more knowledge of alternative financing instruments and educate the financial market about their specific needs. Collaboration with sector organizations, SE-sector representatives, and lobbying efforts can be effective in achieving this. Additionally, to facilitate access to their financial instruments, social finance institutions should focus on increasing accessibility. This can be achieved by expanding investor themes, simplifying products, and being more accepting of higher risk-taking. Instead of concentrating on hybridizing financing instruments for the few SEs operating around the threshold, social finance institutions should provide capital that helps SEs bridge the gap or transition steadily. They should create instruments that support such steps and blend investor logics while keeping the instruments simple. Additionally, providing detailed information about social and economic expectations is essential.

The practical implications of this study are significant for SEs, social investors, and governments interested in fostering the SE market. The study provides a framework, operating zones, and strategies for attracting external finance, offering SEs a roadmap to enhance their access to finance and a clearer understanding of their next strategic steps in terms of internal and external financing. Social investors benefit from insights into the needs of their potential clients, enabling them to tailor their products and strategies accordingly. The study contributes to the advancement of SE finance and facilitates the adoption of SE business models. Furthermore, it provides governments with practical insights into SEs' financing needs and intricacies, assisting policymakers in effectively stimulating the SE market.

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1. Introduction

The neoliberal economic system, in which unlimited growth is central, is facing increasing criticism due to its unsustainable practices and impact on the environment (Monbiot, 2021). Depletion of natural resources, the degradation of land, air, and water, and the extinction of species are all consequences of the relentless pursuit of growth and profits (ibid). To address this issue, the approach to economic development must fundamentally be altered and new ways to promote sustainable growth that protects the environment must be implemented (Guinot, 2020). This increasing awareness is slowly pushing a paradigm shift, moving economies towards more sustainable practices (ibid). This paradigm shift is in part embodied by the concept of the "Social Enterprise" (SE) (Majumdar & Reji, 2019). SEs, which gained popularity in the 1980s and 1990s are organizations that pursue a social mission while engaging in commercial activities that support their operations (Battilana & Lee, 2014). Although the term SE is used in this study, various terms are used to refer to the same phenomenon, including hybrid organizations, social ventures, impact businesses, and combinations thereof (Battilana & Lee, 2014; Schätzlein et al., 2022). This directly exposes the fragmented body of literature regarding the phenomenon, which is in fact not limited to the definitions or terms, but also expand into the categorization of the SE-typologies, their governance structures and business models (Schätzlein et al., 2022; Dohrmann et al., 2015; Saebi et al., 2018).

By combining social and economic value creation SEs position themselves between the non-profit and for-profit organizations. In the past, commercial businesses, public organizations, and private charities were distinct forms representing the private, public, and non-profit sectors, respectively (Battilana & Lee, 2014). However, in the last thirty years, the distinctions between these forms and their corresponding sectors have become increasingly indistinct, allowing for the SEs ‘hybrid’ organizational form to emerge (Battilana & Lee, 2014). Due to this hybridity SEs must constantly manage the conflicting institutional logics of social and economic value creation and thus face unique challenges (Battilana & Lee, 2014). Scholars have therefore focused on exposing the many barriers that SEs are facing due to their hybrid nature and how they balance both logics. The most pressing barrier, as stated by literature and the SEs themselves is access to financial resources (Dupain et al., 2021). The hybrid nature of SEs makes them neither profitable enough for traditional finance nor fall within the scope of non-profit funding schemes, which positions them in an institutional financing gap (Schätzlein et al., 2022; Bugg-Levine et al., 2012). To address this, social finance institutions have entered the market, providing new options for social entrepreneurs to pursue both financial and social goals (Kickul & Lyons, 2015; Magomedova & Bastida-Vialcanet, 2022). Despite this, SEs still report that financing remains their biggest challenge (Magomedova & Bastida-Vialcanet, 2022; Dupain et al 2021). As the variety of financing options for SEs increases rapidly, so does the need for a comprehensive guide to help SEs navigate this already complex landscape (Schätzlein et al., 2022).

1.1 Problem statement & literature gaps

The literature surrounding SEs is hard to grasp for multiple reasons. Firstly, it’s a relatively new field of research. The concept has been around since the 1950s, but only within the past decade research on SEs has become a major and influential literature stream (Saebi et al., 2018). Moreover, the concept is studied from many different disciplines and fields, such as economics, sociology and entrepreneurship and levels of analysis, spanning from individual to institutional levels (Saebi et al., 2018). Organizational level research suggests that the combination of social and economic goals in SEs can lead to challenges and tensions that must be effectively managed for the venture to succeed. To address these conflicts, two issues need clarification. Firstly, it is important to clarify the various forms of social ventures that exist. A typology system can help in differentiating these ventures based on their underlying business model and indicate the balance or tension between social and economic value creation. This in turn will provide insight into the ease or difficulty of fulfilling the venture's dual purpose (Saebi et al., 2018). Many studies have come up with typologies for SEs, most of which use two dimensions to invoke the typologies. The first dimension is related to the business model; is the social value created *with* or *for* the beneficiaries and the second dimension is about the level of integration between the social and commercial activities of the SEs (Dohrmann et al., 2015; Saebi et al., 2018). A second issue that needs to be addressed is the kind of conflicts the hybrid nature of SEs cause. Financing and financial sustainability of SEs is one of those conflicts that is inflicted by the hybrid nature and moreover is the most pressing issue according to the SEs themselves (Dupain et al., 2021; Doherty et al. 2014). Saebi et al. (2018) suggest more research is required that systematically links the choice of a venture model – an SE typology - not only to the legal form (Haigh, Kennedy, & Walker, 2015) and organizational design (Santos et al., 2015) but also to the appropriate management model (Saebi et al., 2018). Schätzlein suggests a similar topic for further research. She mentions that the variety of financing options for SEs are increasing rapidly and with it the need for a comprehensive guide to help SEs manage this already complex landscape (Schätzlein et al., 2022). Gupta also mentions scholars growing interest and literature gap in SE business models and their link to managing the SEs resources (Gupta et al., 2020). It is thus interesting to look at the management strategy regarding financing and how these relate to the SE venture model of choice.

Additionally, most studies in the field of SEs such as Doherty et al. (2014), Gupta et al. (2020) provide general insights into social enterprises or social entrepreneurship with a brief focus on financing as one of the potential tension points. Other scholars do delve more deeply into the financial barriers, such as McWade (2012), who offered valuable perspectives on investments in social enterprises, but merely with a specific focus on the investor's viewpoint; few studies adopt this investee perspective (Schätzlein et al., 2022). Other studies like Lehner (2013) examine specific financial vehicles as a financing option for social enterprises such as crowdfunding but lack a holistic view of the landscape of financing strategies for SEs. Lastly, not many studies on SEs link financing strategies to how they might add value in different life cycle stages of the SE. Much is written on scaling strategies for SEs, but the focus has been on other managerial challenges.

1.2 Research question & objective

This study is part of wider research that is laid out by a research team of six students at the Erasmus University and in collaboration with The Bioregional Weaving Lab (BWL). The BWL is a growing collective of social innovators that are building bridges to address the urgent climate and biodiversity crises. Among the collectives' partners, and the ones who are most actively involved in this study, are Ashoka, the largest global network of system changing social entrepreneurs and Commonland, a well-known enabler of large-scale landscape restoration across the world. BWL approached Erasmus University, since they were looking for students who could examine the business models and scaling strategies of the most promising innovations for landscape restoration within their portfolio to understand how their innovations can be scaled in the regions where they are working, which is mainly across Europe. Six students were interested in this overarching question, and each proposed their own topics of interest for further research regarding this question. The BWL provided their networks and knowledge to help the research team in its endeavors to answer different sub-questions of BWL's overarching research question. In the methodology section of this paper, the collaboration is explained in further detail.

The purpose of this specific study, as part of the wider study, is to add clarity to the field of financing strategies for SEs with the aim of assisting these organizations in their decision-making regarding financing strategies and business models to improve access to financing during their stages of development. This study seeks to contribute to both the practical and theoretical domains by filling existing gaps in the literature and developing theories on SE financing strategies and management. To this end, the following research question will be explored:

> ***How can Dutch Social Enterprises manage their financing strategies through various stages of their lifecycle to enhance access to financial resources?***

The unit of analysis that is attained by this research question is the organizational level, which corresponds with the goal of this study to guide SEs in managing their financing strategies. For the purpose of generalizability, this study will concentrate on Dutch SEs. Previous studies on SEs have indicated that the specific context of institutional and regulatory frameworks, as well as other country-specific factors, either facilitate or hamper SE activities. Hence, this study will focus on Dutch SEs to ensure homogeneity of variables (Gupta et al., 2020). Additionally, it is likely that a much larger sample size would be required to achieve the same level of homogeneity in a larger geographical context, such as the European Union. This would result in an extended research timeframe, which is not feasible within the constraints of this study.

2. Literature review

The three main concepts within the research question, as described in the introduction, are the social enterprise typology, the stages and financing strategies. These three concepts and their interconnectedness are further explained in this literature review.

2.1 Internal financing strategies

2.1.1 The Social Enterprise as a form of hybrid organizing

This research is aimed at uncovering the behaviors of SEs, however defining what exactly an SE is, has proven to be difficult. Besides being a relatively new concept, SEs are studied from many different disciplines and fields, such as economics, sociology and entrepreneurship and levels of analysis, spanning from individual to institutional levels (Saebi et al., 2018). This has been the reason that no definitive scientific consensus about how to demarcate the SE exists (ibid). Researchers have defined SEs as non-profits only (Lasprogata and Cotton, 2003), as for-profit companies managed by non-profit organizations (Wallace, 1999) and more recently as “an innovative and social value creating activity that can occur within or across the nonprofit, business, or government sectors” (Austin et al., 2012). One thing most scholar currently agree upon is that SEs core characteristic is its dual mission of social and economic value creation and consequently that the SE operates somewhere on the spectrum between purely commercial and purely philanthropic organizations (Doherty et al., 2014; Sasaki & Koizumi, 2017; Santos et al., 2015; Tracey, et al., 2011). This spectrum of organizational forms and their accompanying characteristics traditionally was divided into three categories: commercial businesses, public organizations, and private charities, each in their own sectors, private, public and non-profit respectively (ibid). The organizational forms acted as a template for building organizational life and create order and structure within that process (Battilana & Lee, 2014). However, over the course of the last thirty years this clear distinction between the organizational forms and sectors has slowly blurred to give rise to the ‘hybrid organization’ that combines aspects of different sectors and forms. Scholars describe a multitude of explanations for the emergence of this phenomenon. Most of them relate to a combination of socio-economic trends such as an increased societal dissatisfaction with governments and their inability to solve persisting societal issues, requests from stakeholder within the non-profit sector to increase organizational economic efficiency and stakeholders in the for-profit sectors’ increasing demand to incorporate social responsibility in their organizing (Haigh et al., 2015; Saebi et al., 2018; Dohrmann et al., 2015). Hybrid organizing is not a new phenomenon, as organization studies have long focused on describing how organizations combine different organizational elements

(Stogdill et al., 1967). However, over the last three decades, drawing from institutional logics and organizational identity theory, these ideas were further developed by studying how organizational forms are combined and elicit tensions within the organization (Haveman & Rao, 2006; Kraatz & Block, 2008). The Social Enterprise is a form of hybrid organizing that can be seen as the ideal type of hybrid organizing as it combines aspects of charity and business to an extreme degree as compared to other forms of hybrid organizing such as CSR efforts, charities and philanthropy, (Battilana & Lee, 2014). However, to date the scholarly field of SEs also lack consensus on one single demarcation model that clearly distinguishes SEs from these organizational forms alike. Consensus even lacks for demarcating between different types of SEs with heterogenous key characteristics (Saebi et al., 2018).

2.1.2 Demarcating the SE

Organizational level research suggests that the different combinations of social and economic goals in SEs can lead to different challenges and tensions that must be effectively managed for the venture to succeed (Battilana & Lee, 2014; Saebi et al., 2018). For example, traditional for-profits face different financing challenges than for-profit SEs and for-profit SEs also face different challenges than non-profit SEs (Siqueira et al., 2018; Schätzlein et al., 2022). Thus, identifying a typology of the different forms that SEs can attain within the spectrum between purely philanthropic and purely commercial entities is useful as it has important implications for its (financial) management and within this research context.

Many studies have come up with models to invoke typologies for SEs. One of the earliest attempts was made by J. Gregory Dees (Dees,1997), who proposed a social enterprise spectrum in which the level of integration between purely philanthropic and purely commercial aspects is evaluated on six different levels, being their general methods, primary beneficiary, capital sources, work force, suppliers and governance. A similar model was proposed by Battilana & Lee (2014), who proposed a model in which the level of integration between social and commercial aspects is evaluated on five different levels, inter-organizational relationships, culture, organizational design, workforce composition, and organizational activities respectively. They argued that distinct configurations - and thus typologies - would result from plotting SEs on all these dimensions. However, not much research has found distinct typologies with overlapping key characteristics using these models. One study by Sasaki & Koizumi (2017) did propose a model in which strict typologies were made. They suggested that SEs are either 'philanthropy-based' SEs or 'commercial-based' SEs, each with their own distinct features. The main difference between the two types being their financial sustainability; philanthropy-based SEs are not financially self-sustaining, where commercial based SEs are. The problem with these approaches is that is still lacks a way to truly demarcate an SE. For example, if an SE has several characteristics of a certain type, but also some of another type, how do you define the type of this SE. Moreover, one needs to have an unrealistic amount of information from different fields of expertise - e.g., human resources, management, sociology - which does not provide the simplicity that is needed to take research efforts to the next level of understanding, nor does it provide for a realistic view of the information that is available to researchers and other users of SE literature. In the case of this study for example, tremendous amounts of data would be needed to categorize SEs and the development of their typologies overtime.

Fortunately, most of the models that researchers proposed do have a common element; they use two dimensions to invoke the typologies (Dohrmann et al., 2015; Saebi et al., 2018). While scholars use slightly different models and terms, one dimension is always related to the business model and its social mission, and the other is about the level of integration between the social and commercial activities of the SEs (Dohrmann et al., 2015; Saebi et al., 2018; Santos et al., 2015). For example, Saebi et al. (2018)

define the dimension related to the business model and social mission as the ‘social mission’, which he divides into models that create value *for* the social mission and models that create value *with* the social mission, meaning if the beneficiaries are solely recipient of social value or are part of the value creation. Dohrmann et al. (2015) make use of the target groups of SEs and their position on either the consumption or production side of the business model. In the business model and social mission dimension, they focus on the production side of the business model and divide them into either producing *for* the beneficiaries or co-producing *with* the beneficiaries. Looking at the second dimension that is used by most scholars, the level of integration between the social and economic mission, Saebi et al. (2018) divide this into models that either leverage commercial revenues or have paying beneficiaries. Dohrmann et al. (2015) use the target groups on the consumption side for this, so if the consuming parties are a market target audience or the beneficiaries. Although being slightly different, the two interpretations of the dimensions used by these scholars can be combined in a matrix to generate 4 SE typologies. See table 1. This suggested model leans more towards the model that is proposed by Saebi et al. (2018), as this model is slightly more easily interpretable and therefore allows for the simplicity necessary to interpret the results.

		Social mission	
		Value created ***for*** beneficiaries/social mission	Value created ***with*** beneficiaries/social mission
Economic mission	***Differentiated***: Clients are *not* the beneficiaries	-SBM2- Two-sided value model	-SBM3- Market oriented value model
	Integrated: Beneficiaries are paying customers	-SBM1- One-sided value model	-SBM4- Blended value model

Table 1: SE typologies by SBM

Table 1 illustrates that the economic mission can either be differentiated or integrated and the social mission, as mentioned, can either be laid out *for* the beneficiaries or *with* the beneficiaries. The four typologies that originate from the matrix are called *one-sided business models, two-sided business models, market-oriented business models and blended value business models*. The term ‘business model’ is used instead of ‘typology’ since the dimensions amongst which this model is created are so closely related to the business model. From hereinafter the term ‘Social Business Model’ (SBM) will therefore be used to differentiate between SE types.

Now that the SE typologies are clearly demarcated in table 1, the financing strategies, both regarding earned income as well as external financing, for each of the types can be analyzed. For *one-sided business models (SBM1)* the social mission is the sole purpose. The economic activities of these SEs automatically produce social value, as the clients are also the beneficiaries. Often this type of SE sells products or services below market prices to beneficiaries. Expenses are thus typically higher than revenues and thus social investors are acquired to fund the mission and its expenditures (Dohrmann et al. 2015). *Two-sided business model*s (SBM2) leverage commercial revenues to subsidize the social mission, without including the beneficiaries in the value creation process (Saebi et al., 2018). The separation of the economic and social mission poses threats for mission drift due to possible overexposure to commercial targets for this type (Santos et al., 2015). The economic and the social mission thus need to be well aligned in order to minimize tensions. Expenses are typically higher than revenues, however market revenues can be created as a supplement (Dohrmann et al. 2015). Still social investors are acquired to fund the social missions (ibid). *Market-oriented business models* (SBM3) increasingly replace required funds with market revenues as their expenses are often lower than their market revenues (ibid). In these models the beneficiaries are employed to create the products and services that are bought by market target audiences. Market-oriented business models have the similar challenges as two-sided models regarding the requirement for mission-alignment between the economic and social mission (Santos et al., 2015). Investors may still be acquired however in cases where the market revenues do fall short or for cost optimization purposes (Dohrmann et al. 2015). Lastly, for the *blended value business model (SBM4)* the beneficiaries are the paying customers but are also included in the social value creation. Businesses that employ beneficiaries but also sell to them are examples. This model has the greatest potential for monetizing social value according to Dohrmann et al. (2015). Social investors might be addressed to make the social mission available to a social target group as well or for business development purposes (Dohrmann et al. 2015).

Each typology thus has its own characteristics regarding their financing strategies, especially with regards to their potential for monetizing social value, or in other words, their potential to generate revenues in excess of expenses and financial sustainability. To graphically represent these characteristics, Dohrmann et al. (2015) propose a model is which they classify social business models according to the degree in which they strategically monetize social value creation on the x-axis and their financial sustainability on the y-axis. The monetization of the social value on the x-axis refers to the SEs position between acquiring funds *for* the social mission and earning money *with* the social mission. The financial sustainability of the SE on the y-axis is determined as follows;

$$R + F >= E$$

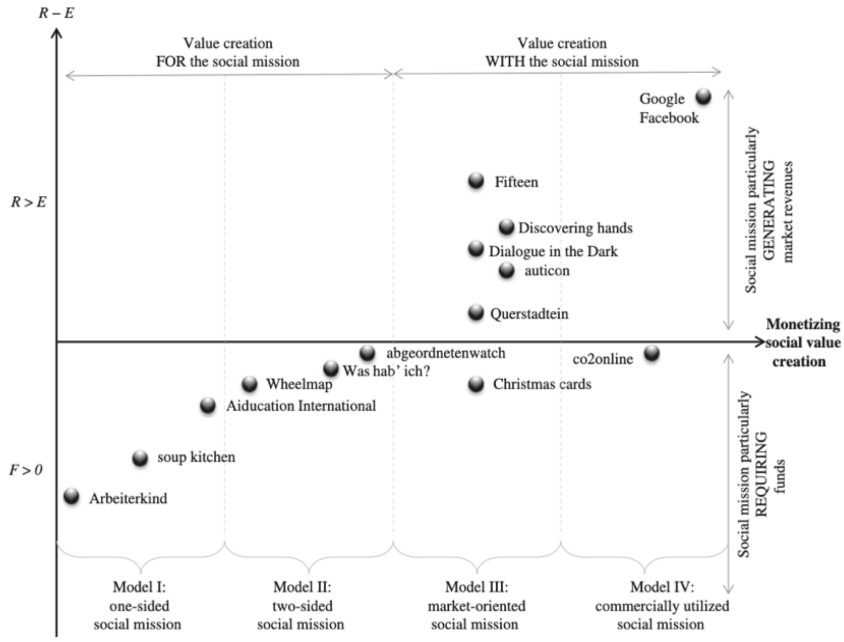

Figure 1: The positioning of SBMs by Dohrmann et al. (2015)

The E represents the SEs expenses, the R represents market revenues, and the F represents social investments such as grants or donations. The sum of R and F should always be bigger than or equal to E in order to be financially sustainable. All these elements are plotted in the model to create the overview seen in figure 1. Dohrmann et al. (2015) thus argue that the chosen SBM type is crucial in terms of financing strategy and conclude that it is advisable, in order to become financially sustainable, that SEs increase their monetization of social value creation by adding new value propositions for social or market target groups or use social target groups as resource inputs for new market-oriented propositions. This implies that SEs should strategically move to the upper right corner and should thus shift the financing strategy from revenues *for* the beneficiaries to revenues *with* the beneficiaries, to create financial sustainability and potential for scaling. Moreover, these conclusions imply a hierarchical order in the monetization potential that is inherently tied to the SBMs. This is substantiated and confirmed by the positioning of the SEs that Dohrmann et al. (2015) plot in their own model. SEs are plotted in a linear fashion from the bottom left to the upper right.

2.1.3 Evolving business strategies

Dohrmann et al. (2015) suggest that SEs develop their financing strategies by changing business models or adding propositions. Therefore, it is useful to understand why SEs choose to be in a certain position in this model and what drives their decision-making, to know how they can be stimulated or aided in their search for financial sustainability. Central to the business model formation of the SE, is finding the right balance between economic and social goals (Haigh, Kennedy, & Walker, 2015; Grimes et al., 2019). What defines 'right' in this sense is not similar for all social entrepreneurs. Some entrepreneurs might lean more towards social goals, while others might lean towards more economic goals. This balance also differs in the SBMs as defined by Dohrmann et al. (2015), who all have different monetization potential. Additionally, the SBM that is chosen by the social entrepreneur is not a static model. SEs go through a formation process and their business models change overtime (Cornelissen et al., 2021). While Dohrmann et al. (2015) suggest SEs should change their business models to become more financially sustainable, this advice might not be followed in practice by SEs. Practice has not shown that all SEs have the goal of increasing their business models' monetization potential, but rather that the organizational identity, which is closely related to the SBM, is formed over time, with active efforts to find out which combination of objectives and values is right for a specific SE (Cornelissen et al., 2021). This does not imply that the formation process towards the organizational identity will always end up in a highly monetized SBM model 4, but rather that the process of finding the right balance can go in either direction, towards increased monetization or not. The latter is supported by the positive theory of the SE by Santos (2012), which argues that SEs can never maximize two missions, but without exception must choose one predominant mission. With the mission he is referring to the economic or social mission, which he calls value capture and value creation, respectively. He argues that due to certain tradeoffs, organizations need to maintain clarity regarding their predominant focus on either value creation or value capture. The choice for either is of such importance to the organizational identity that any perceived shift or ambiguity can negatively trigger stakeholders and potentially lead to a loss of legitimacy. Even if an SE succeeds to maximize two missions, this is only temporary, he argues.

2.1.4 Internal financing instruments

To soften the chasm between value capture and value creation logics and enhance access to capital for value creating SEs, alternative internal financing mechanisms have emerged. Carbon and biodiversity credits are among the most widely recognized alternative mechanisms, especially in the area of Nature-Based-Solutions. These instruments allow SEs to capitalize on their ecosystem-service activities by selling them directly to the beneficiaries thereof (Schomers & Matzdorf, 2013, Grima et al., 2016). Ecosystem services are the benefits that people derive from ecosystems, including both commodities and regulating, supporting, and cultural services (Jack et al., 2008). Similar, but a more direct form of this phenomenon is Payment for Ecosystem Services (PES), which is used increasingly often by governments (ibid Essentially governments pay individuals or communities for their efforts to improve or protect ecosystem services (ibid).

2.2 External financing instruments

2.2.1 External financing strategies

So far, the internal financing mechanisms of the SE, meaning the earned income models, have primarily been described. However, access to external capital is just as important. External financing refers to the capital that is attracted to cover for any negative cashflows or to finance long-term investments (Achleitner et al., 2011; Dohrmann et al., 2015). Access to this kind of finance might even be more challenging for SEs, due to their pursuit of a dual mission. Where traditional businesses aim to solely maximize on economic value, the SE aims to maximize social and economic value. However, like traditional businesses, the SE naturally relies on financial resources as well, as these are needed to operate and scale their organizations. This results in trade-offs between achieving the economic mission and the social mission, which creates a greater challenge in accessing finance, as compared to traditional businesses (Hayday & Varga, 2017; Santos et al., 2015; Dupain et al 2021). A significant number of scholars have studied these barriers for SE growth and financing. A myriad of barriers has been found, some of which are specific to SEs and some of which are present for Small and Medium Enterprises (SMEs) in general. Liabilities of newness and smallness make SEs more risky investments for investors, SEs often fall in an institution gap between philanthropic funding and commercial funding because their businesses are neither profitable enough for traditional finance nor fall within the scope of non-profit funding schemes, a lack of options to finance SEs pertains, public financing schemes are too complex, patient capital is lacking and there's a lack of public support schemes (Schätzlein et al., 2022; Bugg-Levine et al., 2012; Dupain et al 2021; Battilana & Lee, 2014). These barriers to accessing capital are most common in post-startup stages, where capital is needed for expansion purposes or for scaling social impact (Davies et al., 2018). This perceived market failure led to the development of new forms of financing (Lyon & Owen, 2019). With the intention of filling the institutional gap in which SEs operate, the traditional models of financing for non-profit organizations and commercial companies have undergone significant changes. Over the last 20 years, new financing institutions and instruments came into existence, active (Nicholls et al., 2015, pp. 1–15; Schätzlein et al., 2022). Non-profit organizations used to rely mainly on government grants and philanthropic donations, while for-profit companies would use debt and equity instruments to raise capital (Kickul & Lyons, 2015; Laursen & Lough, 2022). Traditional investors and instruments are still relevant to SEs, however, just like the process of hybridization of the traditional organizational forms, these are also evolving into more hybrid forms of finance that in theory should be more suitable for social enterprises.

2.2.2 Hybridization of finance

Having access to both traditional as well as social finance, in theory, SEs have a greater variety of financing instruments to choose from compared to traditional businesses (Bugg-Levine et al., 2012; Santos et al., 2015). The complete spectrum of financing instruments for SEs, can be summarized in the spectrum of social finance, as seen in figure 2. Similar to how SEs balance their economic and social missions, financiers do the same. The social finance spectrum ranges from finance with the sole purpose of creating societal value, all the way to finance with economic returns as its highest priority, with blended value approaches in between (Nicholls et al., 2015, pp. 1–15). The EVPA, a knowledge network NGO dedicated to mobilizing more social finance, has created a social finance spectrum that incorporates the SE-typology literature in this spectrum as well (Picón Martínez et al., 2021). Consequently, and considering the SE typology literature, the spectrum is divided into investing strategies that are most suited for SBM types 1 and 2, the *for-impact* strategies and SBM types 3 and 4, the *with-impact* strategies. Traditional grant-making practices are found on the left side of the spectrum and SRI investing on the far right. Traditional grant-making slowly evolves into venture philanthropy, or engaged grant-making, both of which are relevant to SEs with unproven business models. Social

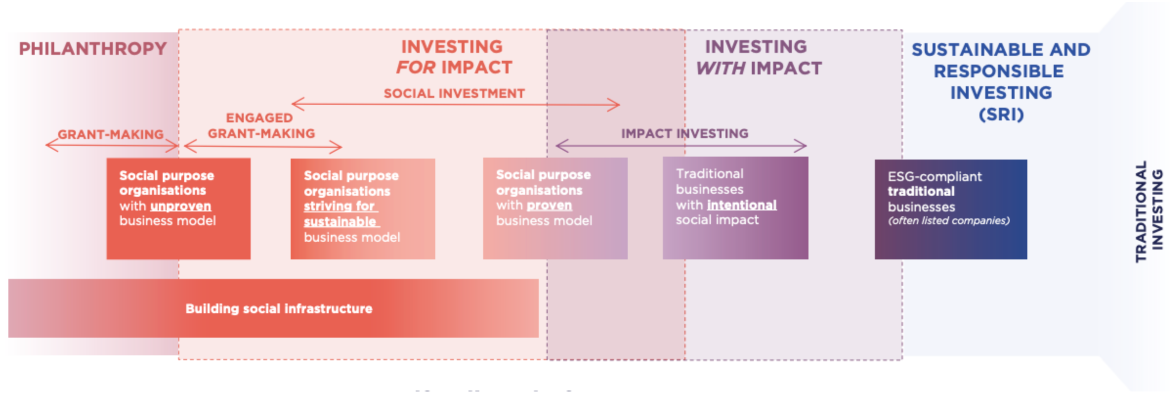

Figure 2: EVPA spectrum of social capital

investments follow and provide capital to SEs that strive for sustainable business models. Instruments could be social impact bonds, loan guarantees, forgivable loans, or other low-interest debt (Achleitner et al., 2011; Nicholls et al., 2015, pp. 1–15). Moving further to the right, social investments into SEs with proven business models are funded through for example quasi-equity, mezzanine capital or social impact bonds (Nicholls et al., 2015, pp. 1–15). Quasi-equity debt combines features of equity and debt financing, providing a source of long-term financing for SEs (Bugg-Levine et al., 2012; Nicholls et al., 2015, pp. 1–15). Mezzanine capital is a hybrid of debt and equity financing, where the investor receives a return that is a combination of interest and an equity stake in the enterprise (Bugg-Levine et al., 2012). Social impact bonds are a form of debt financing that focuses on achieving social outcomes, with financial returns being contingent on the success of the social program (Schätzlein et al., 2022). At this point in the spectrum, the for-impact and with-impact logics start to overlap, and so the investor's appetite for financial return is slowly caving in. Revenue-based financing instruments can become relevant (Picón Martínez et al., 2021). Traditional businesses with intentional social impact are clearly for impact investors, who seek a financial return besides the social impact. The hybrid financing instruments mainly include social venture capital and convertible debt. Social venture capital invests in social enterprises that aim to make a positive impact on society, while also returning a financial reward (Miller & Wesley, 2010). Usually this is an equity investment (ibid). Convertible debt is arguably one of the best-know form of hybrid debt instrument and is commonly used in early-stage startups or high-growth companies facing challenges in determining precise valuations (Brakman Reiser, 2014). It provides flexibility to both the company and investors, allowing for conversion into equity only in the future (ibid). This characteristic helps social enterprises protect their dual mission by not immediately relinquishing equity (ibid). Convertible debt is already widely used by angel investors who support for-profit startups, and its familiarity within the high-net-worth impact investor community makes it an attractive option for social enterprises engaging in disruptive innovation (ibid).

Additionally, not only the instruments themselves are hybridized, but also the stakeholders involved. Blended finance, for example, is an increasingly popular form of collaboration between public and private entities, that combine their funds with the goal of mobilizing more private capital for social enterprises while still achieving social or environmental objectives (Pereira, 2017). The philanthropic capital provides for a risk reduction in the projects as well as the required returns to attract for-profit investors (ibid). Moreover, in nature-based projects blended finance is particularly popular (Rode et al., 2019). Crowdfunding is another example of stakeholder blending. Traditionally private finance was mostly only accessible to private organizations, but crowdfunding has parted with this standard and made investing in private companies accessible to the public (Paschen, 2017; Picón Martínez et al., 2021). Crowdfunding is typically used for smaller ticket sizes (Picón Martínez et al., 2021).

2.2.3 Social investor alignment with SEs

With all these options available to the SEs you would expect that they would not have trouble accessing finance. However, controversially, it appears that socially oriented investors, who offer hybrid financing instruments, are hesitant when it comes to funding social enterprises, despite reporting that availability of investable propositions was lacking for them (Lyon & Owen, 2019; Lim et al., 2020). Additionally, stands in contrast to conventional investors, who have shown to embrace the dual logics and have achieved more SE funding success (Andersson & Self, 2015). Reinforcing this phenomenon is the fact that SEs are more often seeking finance from traditional banks, than from social financiers (Lyon & Owen, 2019). Hence, the suggestion arises that social investors may not be presenting appealing propositions or responding swiftly enough, nor adequately target the areas where younger social enterprises require the most support. To close this gap policymakers could enhance the availability of specialized or mainstream financing options, while also providing suitable support to ensure investor readiness (Lyon & Owen, 2019). The social investors can decrease information asymmetry between them and the SEs by providing detailed information about their expectations in both social and economic aspects, thus helping to reduce the information gap (Lim et al., 2020). When applying for capital at social finance institutions, SEs should consider that these institutions interpret and receive signals in a very different manner than their commercial counterparts and additionally should understand the contexts in which these institutions operate and what characteristics their funds have, since social finance institutions all have different goals. Even when operating within a similar environment, various financial institutions may adopt different approaches to their evaluation of the SE (ibid).

2.3 Life cycle stages & financing

As mentioned earlier, access to finance is a most pressing issue in the early stages of the SE. This conclusion implies that different stages of development in which the SEs find themselves, have significant relevance for their financing strategies. Indeed, empirical evidence suggests that development stages correspond with a financial growth lifecycle model as suggested by the pecking order theory of Myers (1984). Pecking order theory was introduced by S. Myers and N. Majluf in 1984 and suggests that firms typically adopt similar sources of finance during their development stages (Frank & Goyal, 2003; Leary & Roberts, 2010; Berger & Udell, 1998). Pecking order theory adopts similar stages of development as Kazanjian & Drazin (1989) do, however, links it specifically to the sources of finance. In earlier stages the firm is largely dependent on the owners' personal capital and that of friends and family, whereas in later stages the firm becomes increasingly less reliant on this internal source of finance and is increasingly financed with external capital, starting with private finance such as venture capital (equity) or banks and finance companies (debt), followed by public equity and debt in the latest stages (Berger & Udell, 1998). Similar to traditional enterprises, social enterprises have the option to seek support from banks and venture capitalists (Bryson & Buttle, 2005). However, what sets social enterprises apart is their ability to blend commercial finance with philanthropic sources and their ability to draw on their stakeholder relationships in attracting grant finance (Lyon & Owen, 2019). Consequently, it is suggested that new and young enterprises tend to follow a pecking order preference, prioritizing self-funding and grant funding, followed by subsidized debt, market rate debt funding, and finally equity (Lyon & Owen, 2019).

Life cycle stages and financing strategies are thus interrelated as the stages of a firm are defined by the financing sources this firm uses, as much as by their actual size and age. Still, demarcating stages from one another is a delicate act, as the correlation between the age and size of a firm and its' information asymmetry is not perfect (Berger & Udell, 1998). However, based on the pecking order theory, Berger

& Udell (1998) suggested the ‘financial growth cycle of small businesses’, in which 4 stages are defined and characterized as follows:

1. Start-up stage (0-2 years):
    a. High information asymmetry; no track record;
    b. No collateral;
    c. Development of a formal business plan;
    d. Financed through insider capital, trade credit and angel finance. Exceptionally Venture Capital (VC) is used.
2. Early stage (3-4 years):
    a. Limited track record still;
    b. High growth possibility;
    c. Market is tested;
    d. Exclusively financed through private markets, often after one or more ‘angel rounds’ have been closed.
3. Later stage (5-24 years):
    a. Collateral available;
    b. Track record;
    c. Exclusively financed through private markets;
    d. Banks and other commercial finance become available.
4. Public stage (25 years or more):
    a. Large firm;
    b. Known risk and track record;
    c. Financed through public markets.

3. Methodology

3.1 About this study

Before diving into the methodology, it is useful to introduce some of the parties involved in this study, in particular the Bioregional Weaving Lab. This study was conducted for a master students' thesis for the MSc program Global Business & Sustainability at Erasmus University Rotterdam (RSM), as well as for the Bioregional Weaving Lab (BWL). The BWL is a multi-stakeholder collective of organizations and was founded by Ashoka Netherlands. Before 2030, the collective aims to transform 1 million hectares of land and sea in Europe by launching so called Bioregional Weaving Labs. These are collaborations between local communities and the social entrepreneurs from the network of Ashoka, in particular the social entrepreneurs who work with Nature-based Solutions. Nature-based Solutions (NbS) are defined by the BWL as "actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits (Cohen-Shacham et al., 2016, p. 4). The social entrepreneurs and local communities 'weave' their knowledge to scale these NbS locally. This specific thesis is part of a broader research effort that BWL has set up in collaboration with RSM to explore the business models and scaling strategies of the most promising innovations for landscape restoration. A team of six students was founded to do research on this topic, of which this thesis is one that is specifically focused on the financing strategies. The other research topics were, among others, how institutional logics can explain the investment-gap in NbS, how multi-stakeholder partnerships in NbS can scale their operations through business model designs and how impact in NbS projects can be measured to reduce institutional complexity. A complete overview of all research questions and research goals can be found in appendix 1. The joint effort of this research resulted in 58 interviews with organizations working in NbS. All results will be summarized and published by the BWL in an online brochure.

3.2 Research design

To study the research question of this thesis, descriptive exploratory research was conducted to learn from existing operational SEs on how they define their financing strategies and subsequently explore what kind of relations exist between their chosen business models, and their ability to access financial resources. Deductive thematic analysis was primarily applied to come to conclusions and to expand on existing theories, however, the research design also allowed for inductive reasoning to explain missing elements within the deductive analysis. At first the theoretical frameworks regarding social enterprises, their typologies, business models, development cycles and financing strategies were studied and applied deductively to make sense of the data. The data that was gathered regarding these frameworks was used to inform the data collection and subsequently was expanded with novel insights emerging from the data collection. This combined approach, in which deductive theorizing is combined with elements of inductive analysis, is well suited for the research field of SEs, since theoretical concepts on SE typologies and business models and financing strategies are in abundance, but lack linkages and overview (Saebi et al., 2018; Schätzlein et al., 2022; Gupta et al., 2020). Thus, applying and linking existing concepts provides for relevant and scientifically practical insights.

The methodology that is applied is a qualitative multiple case study approach. This study is a management study in which the science behind problem solving and decision making within organizations is studied to help organizations make better decisions (Sofo et al., 2013; Taylor, 2019). In the instance of this study, how do SEs decide on their financing strategies and business models over the course of their business' life cycle. Management sciences are closely related to social sciences as management is a social phenomenon, and the principles of management are based on social interactions and behavior (Roulet, 2018). Describing *how* SEs decide on their financing strategies and business models, provides for relevant insight, however, to be able to substantiate conclusions and give recommendations that are generalizable and valid, a deeper understanding of *why* the SEs chose these strategies is needed as well (Butina et al., 2015). This is especially true for SEs, since this field of study has many overlapping, relating and complex theories. A deeper understanding of the phenomena is thus needed to link the concepts of financing strategies, business models and life cycles for SEs in this specific study. And so, to study the research question at hand, qualitative research is most suited as it allows for the in-depth insights that are needed to understand and contextualize the chosen financing strategies that SEs use, their business models and how it impacted their growth and access to finance to explore if relevant relations exist. Moreover, the case study approach within qualitative research allows for the research question to be answered, as it involves describing "particular instances of a phenomenon" (Eisenhardt & Graebner, 2007). The goal of this study is to bring clarity to the field of SE financing strategies for all the 'particular instances' that exist within this field, i.e., the different stages and business models used by SEs. In other words, the case study approach allows for the examination of how SE financing theories apply in a specific context, which nicely corresponds with the nature of this study. Additionally, case study research is also used for developing constructs and inductive theorizing, which is especially suited as the aim of this research is to inductively expand on theory using the primary data. Since many SEs exist, each operating different business models, financing strategies and life cycle phases, a *multiple* case study is most suited to study the different relations that exist between these variables. The multiple case study approach provides for an understanding of the financing strategies of the complete spectrum of SEs. It allows for comparison of financing strategies amongst SEs with similar and dissimilar typologies and life cycles which elicit the necessary insights within this study. This type of comparative analysis provides for a more robust understanding of the relations between the variables and can lead to the development of more generalizable conclusions and recommendations (Yin, 2013). Furthermore, by examining multiple cases, the multiple case study methodology reduces the risk of relying on a single organization as the basis for conclusions, which helps to establish the generalizability and external validity of the results and enhances the credibility and reliability of the findings (ibid). Lastly, a multiple case study methodology is a good fit with the organizational unit of analysis of this study, as cases are often defined on a personal or organizational level.

3.3 Data collection

To triangulate the findings the data collection was set up using two collection methods – primary and secondary data collection - and four data points. First, extant literature was used to generate input for the empirical research, in the form of suiting theoretical frameworks regarding social enterprises, their typologies, business models, development cycles and financing strategies. Subsequently, secondary data was gathered in two ways; archival data provided by BWL and desk research. This secondary data was primarily used for sampling practices and for informing the primary data phase. Along with the archival data, the BWL also provided the research team with a list of SE partners that they could arrange interviews with. This list was already a shortlist of SEs that were selected by the BWL based on several characteristics; 1) the SE should have a disruptive solution or approach to a social problem that not only tweaks the status-quo, but transforms it 2) the vision of the SE is already implemented in reality 3) the idea should be practical and useful to turn into a new norm sector-wide 4) stakeholder groups should be included by the SE and mutual trust is present (Müller & Mackü, 2022). Next, the theoretical frameworks that were selected in the literature review were applied to this shortlist to select the SEs that reflected the research question of this study and sample the best. This was done using an initial quick and dirty desk research that could provide for an initial idea of the SE typology, stage, and operating country of the SEs in the list. The candidates were therefore selected using purposive non-random sampling. To be able to generalize the findings for all types of SEs and have no representation gaps, a minimum of two SEs per type were selected from the list. Moreover, the stage of the SE, being preferably in later stages, was considered in this selection and as the geographical scope of this research is the Netherlands, merely Dutch SEs were selected. The varying legal structures and definitions of the SE used across different countries, influences the management and development of SEs and so, to ensure the research findings are not biased by these factors and to enhance generalizability, this study specifically focuses on SEs operating within or from the Netherlands (Defourny & Nyssens, 2010; Gupta et al., 2020).

The best-suited option for the research might have been quota sampling in which the participants are chosen on the basis of predetermined characteristics, so that the total sample has the same distribution of characteristics as the target population (Taherdoost, 2016). However, this was not a feasible approach for the research due to time constraints. Using purposive non-random sampling the sample could most closely represent the population without running into practical constraints. Each of the six researchers selected the SEs that suited their research purpose and divided the SEs equally. If any overlap occurred in interest for interviewing an SE, it was discussed who could do the interview. Additionally, the researcher who did not get to interview the SE, could, if wanted, ask the other researcher to incorporate one or two key questions from his/her study in the interview. Additionally, the interview transcripts of all researchers were uploaded in a shared folder, to stimulate triangulation via the use of each other's data. Although, for this study none of the interview data of the other students was used in the coding process, they did help to confirm some of the conclusions that were drawn in this research. Once the SEs were divided, thorough desk research was done for the selected SEs. Data sources that were used were the websites of the selected SEs, databases such as Crunchbase and Pitchbook, providing company information on their financing strategies and through other relevant news articles about the SEs. This data again allowed for initial ideas about the typologies SEs used and their financing strategies, which were then used for informing the primary data phase, the second collection method.

The primary data was gathered through conducting semi-structured interviews with the selected SEs. The interview guide was based on the literature review and can be found in appendix 2. Although the secondary data gave a general idea about an SEs life-cycle stage and the business model type that was used, it did not allow for in depth knowledge regarding their motivations to use certain business models or financing. These concepts needed further explanation and individual interviews with the SEs is a well-suited method for exposing these motivations. Moreover, the interviews were semi-structured to leave room for follow-up questions, so that emerging themes could be further explored and a deep dive into motivations was made possible. The interviews were held over a period of 4 weeks and were mostly held over video-calls, using either Teams or Google Meet, but also in person in two occasions. The initial secondary data analysis concluded that the interviews provided by BWL, would likely cover all 4 SBMs and that every SBM was represented twice in this group. However, during the preparation of the four-week interview period, it became clear that the BWL could not provide enough interviews, or at least not in time, to reach data saturation or to be able to represent each business model. Consequently, SEs were approached outside of the BWL network. In the selection process of these additional interviews, the primary sampling method was convenience sampling, since it would become more difficult to arrange interviews as an individual and the planning became tighter. However, still during this process the initial sample criteria were maintained to a large extent. In fact, approaching SEs outside of the BWL network and over this four-week period, made it easier to choose the types of SEs that were still not represented or underrepresented in the sample. Snowballing was also used to acquire more respondents. During interviews the interviewees were asked if they knew any other SEs that might be interesting and the student within the research team also asked for additional interviews for each other. Besides snowballing, LinkedIn was used to approach SE, as having a direct link to a personal LinkedIn page might improve response rates as the potential respondents might see other business opportunities.

Lastly, SE within the personal network were approached. In total eleven interviews were conducted, and each SE and stage was represented in the sample. Data saturation might not have been reached yet, however, due to time constraints, the level of insights gained form these interviews was considered adequate.

3.4 Data analysis

The selected methodology for data analysis is cross-case thematic analysis, which allows for comparison of multiple cases in accordance with literature and enables the identification of emerging themes within and across these cases. By juxtaposing these emerging themes with the existing body of literature, knowledge-gaps can be identified, thereby expanding scholarly comprehension of prevailing theories and the management of financial strategies within social enterprises. The Gioia template was used to structure the coding process within this analysis. Multiple 'rounds' of coding were used to create the first-order concepts within this template. First, in a deductive manner, the text within the transcriptions that acted as proof of the use of a certain business model type, stage and external financing used, was coded. For the analysis of business models that were used these codes acted as a confirmation to the secondary data that was gathered, as this initial analysis already provided abundant information. Using the information gathered in secondary data research, regarding the SEs stages, monetization levels and business models, the SEs were plotted in the framework that was selected during the literature review. Multiple plots were set for every SE, representing their development in financing strategies overtime. A second round of primarily deductive coding followed. This round was specifically aimed at coding the reasoning behind the SEs movements on the plot. A third and last round of coding for the first order concepts, was done in a more inductive manner, looking for any potential emerging themes regarding the SEs motivations for utilizing certain strategies. Since the first round of first order codes, solely included descriptive evidence for categorizing the SEs, which is necessary, but does not allow for the emergence of an adequate abstraction level, these codes were not used in creating the second order themes. To reach higher levels of abstraction, merely the codes that resulted from the second and third round were included in the creation of the second order themes. During this process it became clear that different themes emerged for SEs with a primary non-profit logic and SEs with a primary for-profit logic. Some overlap was present, but some significantly different themes emerged as well. The themes that were coded in this phase thus resulted in separating these two logics. During the last coding stage in which the aggregate dimensions were created, it became clear that even though the two logics had some different second order themes, the underlying aggregate dimension was similar. To illustrate this process and both the differences as well as the overlaps, the coding table was mirrored for the two logics, resulting in a coding table that works outside in from both ends of the spectrum, with the aggregate dimensions in the middle. This final coding table presents the overarching motivation of the SEs for using certain financing strategies and thus explains the logics behind the position of the SEs on the framework that was used to analyze these strategies. During the analysis process, the BWL research team gathered once again to discuss their analyses and methods used and give feedback to each other, to further improve researcher triangulation. For the transcription of the interviews the built-in transcription tools from Microsoft Teams was used. The interviews were also recorded using a phone. The interviews were held in Dutch with Dutch speaking participants and in English with English-speaking participants. This was done for the comfort of the interviewees and to allow them to speak more freely, allowing for more in depth conversations and insights. The interviews were transcribed in the same language as the interview was held in, to maintain this nuance in the conversations. These transcripts were then coded. Only after this coding process, all transcripts were translated into English, to maintain nuance in the coding process. The translated transcripts can be found in appendix 4. Lastly, the names of the SEs that were interviewed are anonymized for privacy of the interviewee and possible confidential information. Each SE is assigned a color, by which they are referenced hereinafter.

4. Results

To address the main research question, data was gathered through eleven semi-structured interviews that were analyzed as described in the previous section. Additionally, archival research was conducted for each company to enrich the contextual information. Table 2 presents the sample characteristics, showcasing all the current stages, business model used, and the financing instruments that were used.

	Interview date	Code-name	Position	Number employees	Activities	Stage	Finance	SBM	Color
1	27-03-23	Ariane	CFO	6	Investment platform for sustainable NbS projects	Early stage	Own money, subsidies, regular equity, equity-buy-back	3,4	Blue
2	07-04-23	Bernard	CFO	15	Deploying regeneration services and selling produce, as well as credits	Late stage	Own money, regular equity, convertible loan	3	Light green
3	07-04-23	Charlie	Co-founder	8	Deploying regeneration services and selling produce, as well as credits and consultancy services	Late stage	Own money, regular equity, crowdfunding	3,4	Yellow
4	14-04-23	David	CEO	20	Providing offshore ecosystem services, employing and training youth in underprivileged regions	Late stage	Own money, subsidies, funds, low interest loan, convertible loan, social impact loan	1,3, 4	Orange
5	18-04-23	Erick	CEO	10	Providing consultancy services for sustainable business models and building sustainable ventures	Early stage	Funds, crowdfunding	3,4	Dark green
6	19-04-23	Fiona	Head of Finance	120	Selling carbon offsets, software services for climate compensation and sustainability consultancy	Late stage	Own money, regular equity, crowdfunding	1,2	Red
7	19-04-23	Gregory	CEO	6	Providing ecosystem services using oysters and selling the credit	Early stage	Philanthropic donations, grants, regular equity	3	Wine red
8	21-04-23	Helen	Program Manager	16	Sector organization in seaweed providing services to sector players	Late stage	Philanthropic donations, funds, subsidies	1,4	Navy blue
9	01-05-23	Ivan	Business Develop ment	40	Providing consultancy services to implement regenerative farming practices	Early stage	Subsidies, grants	1,3	Light blue
10	10-05-23	Jane	Major Gift Manager	60	Providing consultancy services to implement regenerative farming practices	Late stage	Philanthropic donations	n.a.	Purple
11	11-05-23	Karl	CEO	35	Development of sustainable NbS projects and providing them as an investable product	Public stage	Own money, convertible loan, bonds, ipo	2,3	Pink

Table 2: Sample characteristics

Hereafter the results will be presented, which are organized as follows. First the results of the combined thematic analysis are presented in a coding table, see table 3. Table 3 clearly illustrates that both ends of the SE spectrum perceive that combining logics is a trivial endeavor, due to several reinforcing factors. These factors are present for internal financing and external financing strategies. How internal financing strategies drive SEs into their 'own' corner is presented below, by elaborating on the SEs positioning on the spectrum of Dohrmann et al. (2015) and their developments and reasoning behind certain changes in this positioning. This part reflects the internal financing methods - or earned income through the business models - as mentioned in the literature review. Next, the driving factors behind the external financing strategies is presented. The SEs reasoning behind the use of these strategies explains why they perceive triviality in certain external financing strategies. All results are a combination of primary and secondary data.

For profit			**Non-profit**		
1st order	**2nd order**	**Aggregate dimension**	**Aggregate dimension**	**2nd order**	**1st order**
Started working with beneficiaries to solve resource constraints	Resource use optimization	**Perceived triviality of combining logics**	**Perceived triviality of combining logics**	Resource use optimization	Keeping for- and non-profit stakeholder alignment is challenging
Owning a project yourself is a hassle					Blending for profit and non-profit activities adds complexity to accounting
Subsidies not used because inefficient use of resources					Owning a project yourself is a hassle
Business management skills needed to scale					Specific financial knowledge needed to add commercial revenues
Started working with beneficiaries out of ambition to scale social impact and find product market fit	Social and economic mission are aligned			Preventing cannibalization of business activities	Generating commercial revenues as non-profit worsened ability to attract other customers
Added b2b services to increase income and scale social impact					Blending for profit and non-profit activities creates confusion for client
Working with the social mission allows for quicker growth than working for social mission					Addition of commercial revenues failed because split between for and non-profit activities too narrow
Additional commercial revenues allowed for quicker growth					Generating commercial revenues as non-profit worsened ability to attract donators
Commercial revenue used as means to achieve social goals					
Institutional social investors use narrow themes	Social investors don't match SEs needs			Non-profits seen as effective	Non-profits viewed as equally as effective in scaling impact as commercial entities
Social investors are too risk averse					Donor fatigue issues can be mitigated
Social investors are too resource intensive					Satisfied with current non-profit income
Managing landscape of social investors is complex					Non-profit can fund financing gaps
Choice for investment strategies made because they are 'logical'	Alternative financing not considered			Investors seek returns and thus are not mission aligned	Representing a sector requires independence from investors
Unaware of alternative financing options					Investors do not fit the foundations goals they think
Debt not considered to fit young company					Not being a commercial entity makes them think investors are never interested
Rather not wanting to lose equity					Impact investors not seen as an option

Table 3: Coding table

4.1 Internal financing strategies: Sustainable Business models

In defining which business models are attained by the SEs, the typology model of Saebi et al. (2018) is used. After defining which SEs use which business models and what their positions relative to the monetization threshold are, they are plotted on the spectrum of Dohrmann et al. (2015). All models above the monetization threshold are generating market revenues, whereas all the models below the line require funding. Most SEs have multiple circles plotted in the model and have an arrow attached to them. The circles with an outgoing arrow are the business models that were used initially by the SEs, often in their startup stages or early stages. The circles to which the arrow points are the business models that the SEs ended up using in their current businesses. If a circle is used twice and overlaps, that means that this model was used in all stages. Additionally, some circles are plotted on the lines that separate the business models. This means they use both the business model on the left side of the circle as well as on the right side. It is recognized that plotting the business models is in part a subjective endeavor and the positioning of the business models should especially be seen as relative to other business models in the plot. In figure 3 the summary of this plotting exercise is presented. In appendix 3 a more elaborate explanation is given on the positioning in the model per SE.

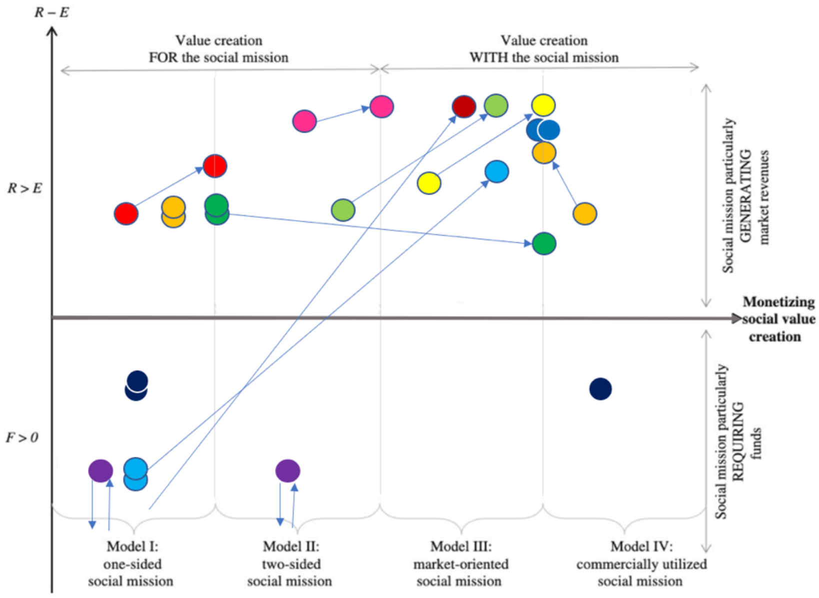

Figure 3: SEs positioning and development on the Dohrmann et al. (2015) model

As can be seen from the figure 3, both the for-profit and the non-profit SEs changed their business models. Their reasoning was often to maximize on their respective missions. Both showed opportunistic behaviors and sought access to more capital, but their search manifested in different ways. Non-profits mainly sought to access more capital by adding different SBMs aimed at generating commercial revenues. However, in their case, adding commercial revenue streams often also cannibalized on their non-profit SBMs due to the confusion and suspicion it created towards stakeholders. Moreover, internally these additions to their business models created unwanted complexities, confusion, time constraints and new human resources were required, all of which negatively influenced the efficient use of their scarce resources and their ability to maximize on the social mission. Consequently, they went back to their initial non-profit models, or split their commercial and non-profit activities into separate entities, so that both entities could maximize on their own part of the combined mission.

The for-profit entities have similar reasoning for their business model changes. Like the non-profits the for-profits sought access to capital to maximize on their mission. They realized opportunities by aligning their social mission with their economic mission through efforts of adding business-to-business services and changing their models to incorporate beneficiaries in the value creation process. Like non-profits they also sought to optimize resource use, by moving away from time consuming, ineffective activities, and by acquiring specific business knowledge to maximize on their economic mission. For for-profits it seemed easier, however, to move their business models and maximize on their mission. Their social missions became directly tied to their economic missions by either incorporating the social mission in the business model and/or by adding commercial revenues and thus no cannibalization issues arose. If business models were used that were less directly connected to the social mission (SBM1 and 4), these were combined with business models that did have this direct link. Often this was done by adding a humanitarian social mission to an ecological social mission. Diving into the specific business models and business model developments will elucidate these findings.

4.1.1 One-sided business models (SBM1)

One-sided business models are defined as the business models in which the economic activity produces social value *for* the beneficiaries, who are the paying customers (Dohrmann et al., 2015). These beneficiaries are not included in that value creation process, which is why - according to Dohrmann et al. (2015) - they typically require funding to operate. Six business models that were used in some stage by an SE, are plotted in this category. Moreover, five out of six have remained actively using this business model. These BM's included the provision of training and consultancy services to farmers on how to farm in a sustainable manner (light blue), the provision of training and consultancy services for starting businesses in the seaweed sector (navy blue), the provision of offshore ecosystem services (orange), provision of consultancy services to implement regenerative farming practices (purple), consultancy services for sustainable business models and sustainable venture building (dark green), or the sales of carbon-offset services to consumers (red). In three out of the six instances additions to the SBMs were made, two were already using multiple SBMs and one stopped using this model without moving to another model. These changes mainly happened in early stages. The light blue SE initially started with only a one-sided business model, added a market-oriented business model (SBM3) in early stages while maintaining their initial one-sided model. Their business model addition took the form of adding commercial revenues by selling their services to businesses instead of providing them for free to beneficiaries. The red SE added a two-sided business model to their one-sided model in early stages, which also took the form of adding commercial revenues by selling their services to commercial businesses instead of to consumers only. Three cases (orange, navy blue, dark green) used multiple business models from the beginning; navy blue combined the one-sided model with a blended social mission (SBM4) in the form of a membership fee, paid by the beneficiaries themselves, orange also combined the one-sided model with a blended social mission by working *for* an ecological mission and *with* a humanitarian social mission, and light blue combined the one-sided business model with a market-oriented business model (SBM3) also by working both *for* an ecologic social mission as well as *with* the beneficiaries of the social mission. A single case tried adding an SBM1 to their purely non-profit business model by participating financially in their regenerative projects as well as by selling consultancy services to commercial entities but phased out those efforts. One-sided businesses are thus combined with all other business models, mainly through the addition of commercial revenues from businesses and incorporation of a humanitarian social mission to the ecological social mission. The reason that the SEs have for these business model additions are mainly embedded in their search for optimal use of resources in combination with opportunistic endeavors to align their social and economic missions. Many of the SEs implicitly state that a certain business mindset and experience is needed to operate a for-profit in an efficient and effective manner and continuously tweak their business models to maximize on their respective missions. For example, red explains it as follows:

> *"And so, because of that we recognize that [selling to] businesses is probably higher revenue. So, it's basically higher revenue and higher impact, which is really important. Also, the way that you can onboard a business and then the individuals within that business will then be motivated to join up as themselves outside of their company if they like the brand, that was another point as well."*

The social and economic mission of this SBM1 type are thus very much aligned and do not provide any difficulties in financial sustainability or mission drifts. Light blue explains it from an even more opportunistic perspective, laying the focus on their effort to jump onto an unfulfilled market demand:

> *"And then I think two years later, so I think that's three years ago now, the two founders saw that more and more multinationals were interested in doing this in their own supply chain. And those were really the Kraft Heinz, Unilever, and also the smaller parties. So yes, then it was suddenly like, okay, maybe we should make an Ltd in order to be able and allowed to work with these parties, so then they had actually made an Ltd."*

The addition of the business models thus increased the monetization level of the SEs, for both the SEs beneath the monetization threshold as well as above. However, the additions only worked for the businesses that either have a for-profit focus, or made a clear separation between for profit and non-profit activities. The purple SE, for example, tried adding revenues to their business model by providing loans to beneficiaries as well, but this effort was phased out again in later stages, due to resource constraints and lack of clear story towards stakeholders.

> *"I think again because it was confusing, in the sense that it makes our role a bit too twofold. At the end of the day, we are a company that gives donations to them, and I suspect that, yes, investing is really just a whole different cup of tea, so to speak."*

Another example of such partly failed efforts to incorporate commercial revenues are from the navy-blue SE, who states that their commercial activities cannibalize on their social mission.

> *"We are a foundation and that is useful in some cases, but not always, because we sometimes get that twist of like okay, but are you no longer a non-profit, because you also have those members and there are also large companies in…why should we give you money if you also have those companies in it?"*

Their member income generated with an SBM4 is thus also cannibalizing on their income from donations when this source of income is becoming too large, making scaling this income source difficult for them. To increase monetization even more, they also thought of adding commercial revenues from selling consultancy services to commercial entities, but this is kept at a minimum due to possible cannibalization of the social mission as well.

> *"And a fourth stream is still consultancy assignments, but that is very minimal. We do it very occasionally, but we do not want to compete with our own members, so only if it is an issue that cannot be addressed by one of the members, then we could take a step in it."*

Additionally, it is noteworthy that, unlike Dohrmann et al. (2015) suggest, the SEs in the one-sided business model differ quite substantially in their monetization levels. The red SE is far above the threshold, whereas the light and navy blue are below. Especially the former is interesting as the model of Dohrmann et al. (2015) suggests that one-sided business models typically involve beneficiaries who cannot pay market prices, but in this instance the business model allowed for market returns. Essentially what this business model is doing, is leveraging donations to fund the social mission. This might sound like a business model that requires funding, however they specifically chose to be a for-profit, so that they could attract investments and grow more quickly. Additionally, they do not frame donations as is, but they market them as 'purchases', which allows them to take a cut from the donations as profit. Regular non-profits also take cuts from donations, but merely to run their operations and break-even as they are not allowed to make profits. What makes this possible for the red SE is their fundraising efficiency. Compared to other non-profits, the cut they take from the donations is on par, however their fundraising efficiency is better allowing for profits to be captured as well. In later stages, and in an effort to increase this efficiency and thus monetization even more, they added services aimed at corporates. Additionally, they run their company as a non-profit regarding transparency, which is necessary to maintain legitimacy.

> *"Being a very genuine brand and also being very transparent [gave us access to funding] ...In terms of the transparency, we do a lot to just make sure that our customers know everything that's happening within the company."*

Thus, solely by changing their governance structure and communications and with efficient use of resources they turned their typical non-profit activities into a dual mission aligned revenue generating business model. This shows that positioning an SE within for-profit institutional logics, without actually having different activities as compared to a non-profit business, allowed them to access capital. This shows that being a revenue generating SE with an SBM 1 or 2 might just be a matter of choice. The blue circle SE had a similar approach and added a separate for-profit entity to their initial non-profit SBM1. The services they provide are identical in each entity, but to leverage a commercial market demand they had to fit the legal for-profit framework. An interesting phenomenon that emerges from their dual legal structure, is the ever-increasing separation between the two entities, which in their eyes was needed to legitimize both the operations in their respective institutional logics and to have a clear story for both external parties as well as for internal employees and their roles.

> *"That was also the time when there had to be more of an ethical separation between those two entities. So, you now notice that the foundation is increasingly becoming its own entity with its own team, character, etcetera."*

Although officially not an SE in this stage, the wine-red SE, that initially worked closely to an SBM1 model, moved to an SBM3 because of similar reasons. To be able to scale the operations, they had to choose a for-profit institutional logic. Even though initially the entrepreneur was indifferent to creating a commercial or a non-profit SE, their ultimate goal was to create a product that is investable for big institutions, for which he felt like he needed to be a for-profit entity.

> *"I mean for a long time we were also looking at can we get this money from a charity? But we wouldn't be able to get money from charity if we were a for-profit entity. Yes. And I, for a long time was like is this going to be a for-profit or not? But the long-term goal is to eventually make these oyster bonds, which are investable as a pension fund instrument and pension funds do not invest in NGOs."*

4.1.2 Two-sided business model (SBM2)

Two-sided business models are models in which a market target audience is the paying customer for any product of service and the revenues stemming from these operations cross-subsidize the social mission. Moreover, the beneficiaries are merely the recipients of social value, but not included in the value creation process. Five business models that were used in some stage by an SE, are plotted in this category. The business models in this quadrant include the provision of consultancy services for sustainable business models (dark green), selling seedlings to farmers (light green), selling consultancy services regarding sustainability accounting, and selling carbon credits (pink), and the previously explained red and purple model. In this SBM type it is noteworthy, that the two SEs that initially operated solely in this model, have either moved to or added other business models, especially type 3. Two out of five users of this business model added the type 2 model to their respective business model 1 overtime (purple and red). Like SBM1, SBM2 is thus combined with all other business models, however, is not used in isolation. Another noteworthy element is the fact that none of the SEs that use an SBM2 operate beneath the monetization threshold, besides a brief attempt of the purple SE. For SEs that require funding this model is thus unused.

The reasons for moving out of this business model for the light green SE was to increase their monetization potential. They changed their business model to an SBM3 model because the target audience of their SBM2 model, being relatively underprivileged farmers in rural areas, was very closely related to being a beneficiary, who usually do not have enough funds to pay for services (this would be an SBM1). The social mission of this SE was to restore nature, so from an ecological perspective selling seedlings to farmers can be seen as commercial revenues *for* the social mission. However, not being included in the mission did not convince these farmers to work for the ecological mission of the SE.

> *"Then we got in the situation where we were trying to sell a new tree, a new technique, new forms, of which people said well, why should we do that? We now have an income from that land, and these are risks that we will take, of which we do not see revenues coming out in the short term. And so, the investment was too large at that time."*

Later these farmers were included in the model by leasing their land and employing them on it. This was very interesting to these farmers and so including them in the mission greatly improved mission alignment and with it the potential for monetization. A similar example is the pink SE that added an SBM3 to its model due to the ambition of the owner to work *with* the social mission and increase his companies' direct social impact:

> *"But then you're still at your desk calling with Southpole and RWE. Well, what kind of positive change have you brought about then? So, I kept looking and the further we got into that process, the clearer it became that to really have an impact and to really say it's our project, we really made a difference, you just have to start hiring people locally. You have to be there yourself and that's how we started in Kenya".*

The dark green SE moved out of idealistic reasons. This entrepreneur is not profit-focused and just wanted to start building the ventures he was advising other people to create via his consultancy services, for himself. This entrepreneur does not rely on any external financing for his own company and thus does not have to rely on either donations, nor a profit seeking investor. Therefore, no mission maximizing incentive, other than ambition, is in place. He started with a revenue generating business model and added a less monetizable model to it in later stages allowing this SE to be the only SE operating near the threshold. An important sidenote to this SE, is that it does not directly work with NbS, like all other SEs in this research. They might however implement NbS in future ventures they build and do consult about for example biobased building materials.

A final, but interesting move was made by the purple SE, that tried adding revenues to their business model by selling consultancy services to commercial parties as well, but this effort was not effective, as the line between who had to pay and who hadn't, became very blurred. Their efforts where therefore quickly scaled down again, illustrating that commercial revenues cannibalize on the social mission in an SBM2.

> *"I don't know all the details about this either, but what I was told is that the combination of being a not-for-profit and also a consultancy that does make money didn't work well because it was just very unclear who did, and who did not have to pay."*

4.1.3 Market oriented business model (SBM3)

Market-oriented business models are the models in which a market target audience is cross subsidizing the social mission. Commercial revenues are thus used to fund the social missions. Additionally, the beneficiaries of the social mission are part of the value creation process. A significant number of SEs used this business model. Eight out of eleven SEs are plotted in this category for using this business model in any of the stages. Additionally, none of these have abandoned their activities in SBM3. The business models in this quadrant include an investment platform for sustainable NbS projects (blue), regeneration services and sales of carbon credits (light green), regeneration services, sales of carbon credits and consultancy services (yellow), offshore ecosystem services (orange), consultancy services for sustainable business models and building sustainable ventures (dark green), ecosystem services and sales of the credits (wine red), consultancy services to implement regenerative farming practices (light blue) and the development of sustainable NbS projects and providing them as an investable product (pink). Only two SEs started using this model directly from the start. One of them added an SBM4 in later stages, to be able create a less asset heavy company. Being asset heavy meant that they needed a lot of financial resources to scale, especially because of buying the land that was needed. This held back their growth. By involving the beneficiaries, i.e., the farmers who already owned land, into the business model, this lack of resources was optimized.

> *"But then we started, and we found out that basically everywhere where we are there was already bamboo and bamboo had been around for many years and those people didn't really know what to do with it. We then thought, okay, we know what we're going to do with it. And then we connected them to our stories and that way we leapfrogged a few years ahead of our business plan."*

Including the humanitarian social mission in their ecological social mission thus maximized their potential for monetization and growth opportunities. The other SE that started with an SBM3 also uses an SBM4, and sticked to this combination. A total of four SEs is using this combination, which makes it the most popular combination of SBMs to use.

Furthermore, six out of eight have moved into this model. This was mainly done in early stages, when the SEs were still looking for a product market fit. The SEs that moved from SBMs 1 and 2 to 3 have been explained previously. One SE added an SBM3 to its SBM4 (orange). Initially this SE was only providing its ecosystem and conservation services to public sector clients, making the beneficiaries the paying customers. However, they decided to add commercial revenues from private companies as well in early stages and are even looking to expand this activity. The reason they added this activity was to be able to scale their social mission more quickly, as the social mission and economic mission are aligned. Additionally, this SE uses the most SBMs of all SEs that are plotted simultaneously. This is due to their focus on three different target groups, being the government, the beneficiaries, and commercial actors.

> *"Yeah, that's [commercial activities] going to continue to grow… but it's a means to eventually get to our goal, which is really about the social and especially the impact of, in our case, seagrass restoration [which] is what we're doing for biodiversity restoration. That's what we're really about, so we'll always keep that balance."*

Another noteworthy element is the fact that none of the SEs that use an SBM3 operate beneath the monetization threshold, as was the case for SBM2. For SEs that require funding this model is thus unused. Unlike for SBM2, in which cannibalization of the business model was the reason for not operating in this region, it remains unclear why exactly this is the case for SBM3 as well, as not a single SE in this study operated in this region at some point in time. Nevertheless, this could potentially confirm the argument that this particular region lacks utility for SEs. Additionally, it makes intuitive sense to assume that SEs targeting a commercial audience would encounter difficulties in securing donations to support their mission, as they are expected to be financially independent within that model. The more they rely on donations, the harder it will get. Consequently, operating below the threshold could prove to be exceptionally difficult. As was the case for SBM2, cannibalization could thus be a legitimate reason for SEs to avoid operating in this region.

4.1.4 Blended value business model (SBM4)

Commercially oriented business models are business model for which the beneficiaries are the paying customers as well as part of the social value creation process. There are no standalone business models exclusively plotted in SBM4. Instead, they are all combinations with other SBMs. For instance, SBM4 is often utilized in conjunction with SBM3, as outlined in the preceding paragraph. Unlike all other SBMs, an SBM4 is not used in combination with *all* other SBMs. No combination with an SBM2 has been found. Additionally, this model is mostly used in businesses that generate significant revenues, with the exception of two SBMs, dark green and navy blue. Dark green, as mentioned made a deliberate choice to add a less monetizable SBM3. Navy blue incorporated an SBM4 alongside their existing SBM1 by implementing a membership fee system for the beneficiaries. However, they couldn't effectively capitalize on this model due to the limited ability of the beneficiaries to pay more, coupled with their small numbers within the nascent and specialized market. There is potential for monetization in this model, however, as it has the ability to grow along with the sector as a whole.

4.1.5 Summary SBM

When solely examining the SBMs adopted by the social enterprises in *current* stages (see figure 4) and their motivations for transitioning towards these models several conclusions can be drawn. Not many SEs operate around the monetization threshold due to the perceived triviality of operating in this region. Tensions between the logics become too stark within this region. Multiple examples of SEs operating below the threshold show that commercial activities cannibalized on their ability to raise philanthropic income. Steadily increasing their commercial activities therefore does not directly result in progress on monetization. A certain plateau in the level of integration is reached at this point. SBMs 2 and 3 specifically, are not used at all by SEs operating below the threshold. One attempt was made, but tensions arose quickly in this part of the plot. Only if the logic and the business model is shifted to the for-profit directly, these tensions could be resolved, but most SEs operating below the threshold, either stay below or even downscale their commercial activities. This is how the gap around the threshold in which none of the SEs operate comes to exist.

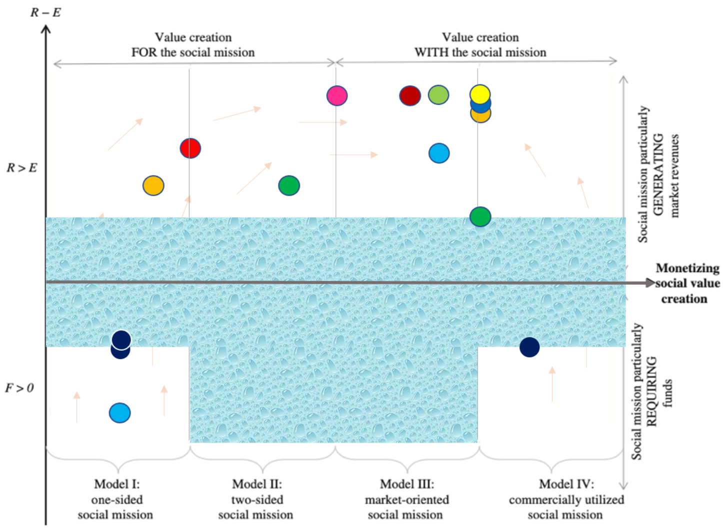

Figure 4: SEs current positioning on Dohrmann et al. (2015) model

A way to increase monetization for the SEs below the threshold is to either jump over the gap and transform to a for-profit logic directly, avoiding the stark tensions that arise around the threshold or to setup an independent for-profit entity and work together with that entity. Shifting completely to a for-profit logic is possible, as can be concluded from the analysis. The SEs use two methods to increase monetization. They either align the social and economic mission by working *with* the social mission and/or incorporate some kind of commercial revenues to their models. This also explains why most SEs use an SBM3, as this type combines these two strategic choices into one model, allowing for maximizing both the social and economic missions. This is for example done by adding either an SBM 2 or 3 in a separate entity or by running a for-profit company in a non-profit and very transparent manner, leveraging philanthropic income as commercial income. For SEs operating above the threshold adding an SBM 2 or 3 also allowed for increased monetization, since the social and economic mission are aligned. These SE won't have to cross the gap but do generally try to move away from it since this maximizes both their missions. Many SEs add an SBM4 as well. This might not directly improve monetization but does include the social mission in an additional manner, which might lead to positive spillovers for the dual mission.

4.2 External financing strategies: funding

Besides the internal financing mechanisms, SEs typically also rely on external funding, i.e., donations, subsidies, but also on investors who expect some kind of return. Especially for the latter, the external financing that is acquired, generally follows the stage the SE is in at that moment. Investors all have their own strategies and look for investments that fit their strategy. For the SEs in this research the external funding sources that are used most often is presented in table 4. In appendix 4 an overview is given of all instruments used in each stage per SE. The table is split into the SEs that operate above the monetization thresholds, who generate revenues, and the ones who operate below and require revenues, since the external financing that is used differs substantially between the two and have shown not to differ between the different SBMs that are used.

External financing per stage	Start-up stage	Early stage	Later stage	Public stage
Generating funds companies	Own capital, equity, to a lesser extent subsidies and funds	Equity, equity-crowdfunding, convertible loans, buy-back equity	Equity	Public equity
Requiring funds companies	Grants, subsidies, funds, philanthropic donations	Grants, subsidies, funds, philanthropic donations	Grants, subsidies, funds, philanthropic donations	

Table 4: External financing per stage

Starting with the SEs that require funds, these all use similar funding instruments and don't change these throughout the stages of the SEs development. They use grants, subsidies and philanthropic donations, the latter of which is mostly given by non-profit funds and family offices. These instruments are used because these 'investors' are aligned with their social mission and don't require any returns. The SEs didn't give a second thought to alternative, possibly more suiting, strategies, as they thought other investors would never be interested due to not generating a profit, or they wished not to, since attracting investors would require specific knowledge that wasn't available in the SE and because their non-profit way of working is seen as effective or even necessary to stay independent.

> "*It is often underestimated by funds that, for example, are initially only engaged in philanthropy activities and then think like well, then we will also borrow or invest something, but that involves completely different knowledge, experience, risk considerations and other things and then you really need a financial colleague who is involved in this.*"

The SEs were even having difficulties attracting philanthropic funding, since the SEs that had relatively many commercial activities, were even thought to be too commercial for some funds to invest in. For some investors these SEs thus generate too little revenues, whereas for others to much. Their commercial activities show to be more of a liability in attracting finance than an opportunity, which explains both why they stick with their typical non-profit investors as well as with their business models.

"It is sometimes much more difficult on the fund side, because we lean towards the commercial side... So why would a fund invest in it? Funds are often for, well, social enterprises, but more for things like subsidizing the cancer fund or building a school in Tanzania, purifying water in, well, anywhere."

Looking at the SEs that generate revenues, the financing instruments they use are quite typical for their business logic. In startup stages they mainly used their own funds in combination with their first regular equity investments from Friends, Family and Fools. The main reason for choosing this kind of finance was the availability of it in their network, easy access and low strings attached. Three SEs also used subsidies and funds in this stage, which were used to push the valuation moment to later stages and prevent dilution in this early stage.

"[We used] Subsidies in the beginning, because at that time you are actually worth nothing and so you do not want to sell shares yet, because then you would sell your shares very cheaply, so subsidies are the best option then."

On the other hand, four SEs in this segment were principally against subsidies as these were found to not be aligned with their (economic) mission or were too time consuming to attain.

"With subsidies you lose a lot of time to comply with all kinds of different reports. We have put out a question for some subsidies one time, but we have never, very deliberately, put a lot of effort into it, because we do not believe in the very core of subsidies."

Their reasoning is thus similar to that of non-profits (resource constraints and mission alignment) but for the opposite logic.

Moving on to early-stage finance we start to see some blending approaches, albeit relatively little compared to the traditional approaches. The main financing instrument that is used is regular equity from angel investors, venture capital firms or strategic partners. This kind of financing is used by 5 of the 8 for profit SEs. What is interesting is that in this stage none of these for-profit SEs have specifically looked for investors that were mission aligned with their social mission, but merely with their economic mission, as these two are aligned anyway. This was also the case for SBM1, which according to theory often require funding for their social mission. So, when the social mission is aligned with the economic mission there is no special incentive for SEs to search for social investors. This conclusion is further reinforced by two things. Firstly, SEs didn't search actively for socially committed investors in this stage, as the investment products they provide are not aligned with the SEs needs and/or knowledge and secondly the fact that most of the instruments are also used by traditional investors, who are less demanding.

SEs didn't search actively for socially committed investors in this stage, as their products don't match the needs of the SEs in this stage. This has several reasons; 1) the social investors use narrow themes, 2) they are too risk averse, 3) they are too resource intensive, and 4) the products are too complex. Starting with the narrow themes that investors use; this is a common complaint from the SEs in this research. They applied for funding, but never seemed to fit into the specific investment foci the investors were using, and they are especially strict about them as well.

"And with the DOEN foundation it was literally like "We have a program manager green and a program manager social. Which one are you?"

The other way around, investors were also often too risk averse for new or specific markets in which SEs often operate and the social funders just either found it too risky, or again did not see the fit with their investment focus.

> *"The other thing that makes it difficult, for example, is ship-financing, which is now Triodos bank that finances that, but that also took something like 2.5 to 3 years. We have been rejected by the bank several times, because Triodos bank does not provide ship financing. That's something very specific."*

So, SEs with a specific niche product, which most of them have, will have difficulties finding an investor that matches their niche, as these investors use narrow themes as well and are too risk averse to expand that focus. Additionally, social investors were seen as high maintenance and not the best use of resources. A quote that nicely summarizes this feeling is the following remark, that was made about the FMO that did not want to invest in an SE in early stages.

> *"In retrospect, I think it was a good thing. Because if they're that difficult at the beginning, they're also difficult today once they've made the investments, so that means you're spending a lot of time on that."*

Lastly, the products these social investors provide are often too complex. The quote below is an SE responding to the question why they chose not to work with social investors and their instruments.

> *"But above all, what is the time to actually have the assets in your account. And that's just because of the more complex construction, so also with convertibles and with larger share rounds. It's all possible, but it just takes longer."*

So, the SEs didn't look for social investors, since there is no need or incentives to use their products lacked. Traditional investors were more accessible and required less resources.

> *" I actually asked it when I was interviewing [for the job] about bringing on an investor that's not focused on climate and the response was obviously just that you can bring on an investor that's not focused on climate and they can still have a huge impact because they have a lot of money, which is very fair."*

Instruments that are used by social investors and also by less demanding traditional investors, are convertible loans, crowdfunding and buy-back equity. These are examples of hybrids that are used by the SEs is this research, that were attained from both traditional as well as social investors. The only hybrid instrument that was used by a (for-profit) SE that might not be used by traditional investors was a low-interest loan, provided by a fund and by angel investors with a sustainability mindset. It was given to the orange SE, operating a for-profit SBM 1, 3 and 4. This orange SE was also the only one actively looking for social investors in this stage. These instruments were used because they provided a good balance between not losing equity and not losing free capital to grow, which are typical downsides for equity and debt instruments respectively and provided easier access to funds, especially in the case of crowdfunding. What is interesting is that the SEs who used these instruments in this early stage, deliberately didn't use them in later stages, as they were too resource intensive for bigger investments.

Many SEs also sticked to the traditional financial logics of for-profit business, because either they didn't know better, or just didn't want to deviate from it. When asked why they used the specific instruments they used, one SE for example mentioned 'because it were the logical steps' and another said the following:

> *"A loan was not an option at that stage because then you just had to have enough turnover to pay it back and we didn't have that, so equity was the best option."*

Later they revisited their decision and made a deal to buy-back equity from the investor, before continuing with another fundraising round. Three other SEs also mention that debt is never an option in the early stages, because you would need revenues and you don't want to lose free capital to grow, two of which did not use the hybrid forms that are meant for this problem, indicating unawareness of these options. The other two did use convertible loans, but to such a small extent that apparently, they did not see it as a solution to the dilemma of not wanting to lose equity, but also not wanting to pay installments. SEs are thus either unaware of other options or just didn't want to waste effort and time working with social investors, forcing them to mainly use traditional financing methods.

In later stages, institutional capital was mainly acquired. Equity was used most, but one SE also used convertible loans with buy-back option in this stage for similar reasons as mentioned before. The investors in this stage were often strategic partners as well, for example indirect buyers of the services of the SE, or investors with sector knowledge. Moreover, in this stage the SEs started looking for social investors more actively, since in this stage mission alignment on the social mission was found to be more important. There is only one SE in this research that has entered its public stage, but this was more of a strategic decision, rather than a consequence of years of growth. This SE went public, just to raise funds and provide liquidity to a normally illiquid market.

5. Discussion

This study has attempted to provide a holistic view of the landscape of financing strategies for SEs, both regarding their internal and external financing strategies. The goal was to add clarity to the field of financing strategies for SEs with the aim of assisting these organizations in their decision-making regarding financing strategies and business models to improve access to financing during their stages of growth. Access to finance has been a central barrier for SE growth. The data from this study suggests that SEs perceive no reason to deviate from their dominant logic, both due to market circumstances as well as due to their own perceptions. Therefore, in the current market, in order to gain access to capital and increase monetization, SEs operating above the monetization threshold should align the social and economic mission by incorporating the social mission into the model. For SEs working in NbS specifically this often means adding a humanitarian social mission to their ecological social mission. Moreover, these for-profit SEs can improve monetization by leveraging commercial revenues in some form. These two strategies combined form an SBM3 model, which is the most preferred outcome, as it leads to the highest level of monetization. SEs operating below the threshold can increase monetization, if wanted, by jumping to a for-profit logic completely to avoid the stark tensions around the threshold, or by combining business models in independent departments. Social finance institutions should concentrate on providing capital that helps SEs either bridge the gap or make a steady transition, blending investor logics while keeping the instruments simple and providing more detailed information about their expectations in both social and economic aspects. SEs should be more aware of their positioning on the spectrum and position relative to the monetization plateau to strategize on their next steps and have a clear goal in mind to communicate internally, and to external financiers. Moreover, SEs should acquire more knowledge of alternative financing instruments and their characteristics and try to educate the financial market on their specific needs.

The model, introduced by Dohrmann et al. (2015), in which they suggest that SEs can increase the monetization of their social value by moving to business models that work *with* the social mission, rather than *for,* was the basis for this study. They argue that the chosen SBM type is crucial in terms of financing strategies, implying a hierarchical order in monetization potential that is inherently tied to the SBMs. He therefore suggests SEs should work towards an SBM type 4 to maximize the monetization potential. The SEs are plotted in a linear fashion from the bottom left to the upper right. This is the operating zone in which SEs operate and should develop according to them. The findings of this study confirm that SEs do in fact apply strategies of moving towards higher monetization models and towards SBMs that work *with* the social mission, especially the SEs operating above the threshold. However, this study does not support the linear route Dohrmann et al. (2015) suggest. Monetization of the social value can be increased and operated above the threshold in any business model and thus is not inherent to the SBM type. Several SEs operating above the threshold adopted an SBM 1 or 2 in this study. Moreover, this study doesn't particularly find that SBM4 is most monetizable and in fact suggests that SBM3 is the most monetizable, thus rejecting the linear approach. This study in fact suggests that such a linear, step-by-step approach is not used or even possible in the current market, due to the cannibalization and triviality of operating in the region surrounding the monetization threshold. Indeed, the data in this study suggests that tensions between the logics become too stark within the monetization threshold region, thus allowing for a gap to arise between monetization of for-profit and non-profit SEs. Multiple examples of SEs operating below the threshold show that commercial activities cannibalized on their ability to raise philanthropic income. Steadily increasing their commercial activities therefore does not directly result in progress on monetization. A certain plateau in the level of integration is reached at this point. Most SEs operating below the threshold, either stay below this plateau or even downscale their commercial activities. SBMs 2 and 3 specifically, are not used at all by SEs operating below the threshold. One attempt was made, but tensions arose quickly in this part of the plot, due to cannibalization issues. As the target audience in this region primarily consists of commercial entities rather than beneficiaries, the SEs in this region would face increasing challenges in leveraging donations the further they move away from the threshold. Consequently, operating in this region proves to be of little utility for SEs, leading to its underutilization.

The gap between the SEs in the plot is further reinforced by the investor logic that prevails, both within SEs as well as from the investors themselves. Since this study illustrates that each SBM can have any kind of monetization level, the SBM type doesn't matter for the external financing strategy per se, but the level of monetization does. The spectrum of social finance as proposed by the EVPA is thus also refuted by this study, as their model ties SBMs *for* and *with* the social mission to the monetization level of the SE, whereas it is merely the monetization itself that matters. This is where the gap is reinforced. Below the threshold donators are discouraged by commercial revenues, and above the threshold the financial products of social investors – who generally operate more closely to the threshold than traditional investors - are not aligned with the needs of SEs, illustrating their triviality to the SEs. The SEs themselves on the other hand don't always know of the alternative financing options that are available because they don't look for them. Especially in early stages, when resources are relatively little, the SEs go for the least resource intensive options, and that's often not including social investors. Their products are referred to as too complex, time consuming, too narrowly positioned and too risk averse, which is why SEs generally stick to traditional financing instruments and reinforce the gap. This study therefore introduces an addition to the model of Dohrmann et al. (2015) and introduces operating zones. See figure 5. The data suggest that these are the safe zones in which SEs can operate freely, without certain business activities cannibalizing on their mission. Additional activities in other operating zones can be added and are even promoted to increase monetization. However, currently an SE should not be active outside the operating zones and thus cannot move in a linear fashion to the top right corner.

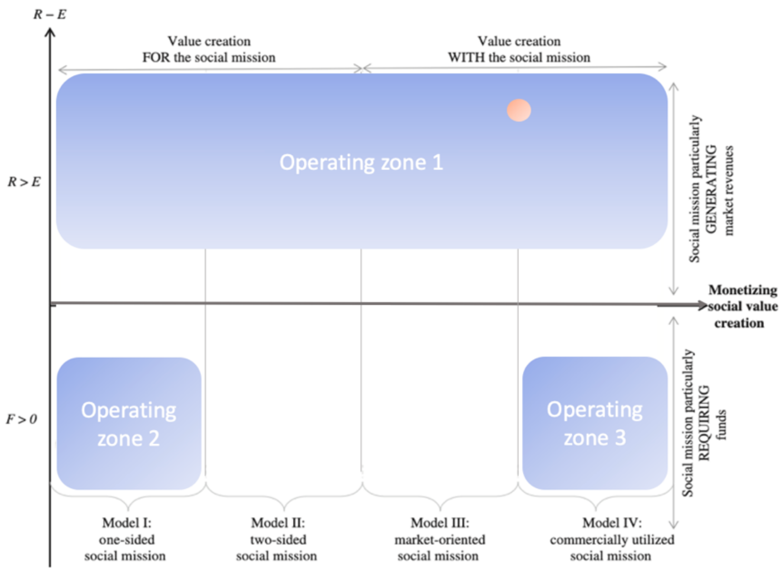

Figure 5: Operating zones for SEs in the model of Dohrmann et al. (2015)

If in the current market, moving in a linear fashion across the model to increase monetization is not possible due to the existence of a gap, what route should SEs adopt instead? SEs operating below the threshold can either jump over the gap by choosing to transform to a for-profit logic directly and completely or by setting up an independent for-profit entity and work together with that entity. Shifting to a for-profit logic is not as challenging as SEs may perceive. Indifferent from the SBM that is currently used and, although possible, without the necessity to change its type, aligning the social mission with the economic mission allows for this shift to happen. This is done by *switching to* or *adding* commercial revenues and/or work *with* the social mission, in other words by utilizing either an SBM 2 or 3 activity. An SBM 4 can be utilized as well, however, should always be combined with an SBM 3 in this case. Besides aligning the social and economic mission by leveraging SBMs 2 and 3, an SBM1 can also be operated in a for-profit manner. This can be achieved by communicating a for-profit logic and by leveraging philanthropic or government income as commercial income. Highly transparent management is a prerequisite for leveraging philanthropic income and, if absent, adding a humanitarian social mission to the model will ease barriers to governmental support. *Switching* from a non-profit to these for-profit models completely can be done within the current business entity, however only in startup or early stages, when switching costs are still relatively little and legitimacy losses are still manageable. *Adding* for-profit business activities to existing non-profit activities on the other hand should be done in a separate entity, to prevent cannibalization of the models. This strategy is usable in later stages as well. To prevent the newfound for-profit entity from mission drifts the governance structure could give certain veto rights to the non-profit entity regarding the for-profit entity. The foundation entity of the light blue SE, for example, has the right to hire other consultants besides the for-profit entity of their own SE and could even seize working together with this entity altogether. Another example could be that the foundation has a veto right to prevent certain decisions that are made within the for-profit entity and are a threat to the social mission, like board changes or new investors at the cap table.

Besides SEs operating below the threshold, SEs operating above the threshold can also increase monetization by adding an SBM 2 or 3, since the social and economic mission are well aligned in these models. The SBM3 combines both the previously mentioned strategies that most SEs use to increase monetization, adding commercial revenues and working *with* the social mission. This model, therefore, embodies the highest potential for monetizing social value. Additionally, many SEs combine SBM3 and 4, even though adding an SBM4 doesn't necessarily seem to increase monetization. Adding an SBM 4 might lead to additional positive spillovers, but unlike Dohrmann et al. (2015) suggest, it is not the ultimate goal regarding the monetizing of social value for SEs. The orange dot in figure 5 is the ultimate goal for SEs. The SEs operating above the threshold all seem to be working towards this goal by adding commercial revenues and adapting their models to work *with* the social missions. In this study, in which SEs working in NbS are central, adding commercial revenues often meant selling their products and services to companies instead of consumers/beneficiaries. Working *with* the social mission often meant employing beneficiaries to help achieve an ecological social mission. These SBM 2 and 3 for-profit SEs rarely move towards the threshold as moving away from it allows for both social as well as economic mission maximization, due to their economic and social mission alignment. Therefore, there is no necessity for these SEs to cross the gap.

From an external financing perspective, the study shows that SEs just partly follow the SE-adapted pecking order theory as proposed by Lyon & Owen (2019), starting with self-funding and grant funding in startup stages, subsidized debt and market rate debt in early stages, and equity in later stages, but in contrast to prior beliefs and suggestions by literature, mostly just stick to the traditional pecking order theory and its traditional financing instruments. For-profit SEs used their own funds and regular equity in startup stages, regular equity and debt in early stages and regular equity in later stages. Since the non-profit SEs never successfully moved towards or over the thresholds, they merely stuck to grants, subsidies, and donations in all stages. It thus makes sense that the social financiers and their instruments that operate predominantly around the threshold, where traditional instruments do not, are underutilized. Moreover, while utilizing these financing instruments might not be harmful to the SEs in itself, operating in the area where the social financiers operate, would result in cannibalization of the business model in other aspects than external financing. The benefits of being able to acquire social finance instruments in this area, therefore for not weigh up to the losses. Furthermore, the social finance institutions are currently not presenting appealing solutions for the SEs, in particular for early-stage SEs. The current products they provide are perceived as too complex, too risk averse, too resource intensive and too narrowly themed. These social investors are thus part of the reason the gap persists, since, among other reasons, SEs don't want to operate in this region because of the constraints regarding financing. A major market failure is thus happening.

Social finance institutions and governments should strive to better align their products with social enterprises (SEs) by implementing certain measures. Firstly, it is crucial to make access to these financial instruments easier. This can be achieved by broadening investor themes, simplifying products, and being more accepting of higher risk-taking. Rather than focusing on hybridizing financing instruments that might apply for the few SEs operating around the threshold, social finance institutions should concentrate on providing capital that helps SEs either bridge the gap or make a steady transition. For instance, one solution could involve offering SEs operating below the threshold the necessary capital to acquire and establish resources for a for-profit entity in the form of a convertible loan. This instrument functions much like a regular loan, making it easy for SEs to understand. However, it comes with two requirements: the capital must be utilized to set up the for-profit entity, and the loan is converted into an equity stake in the new for-profit entity at an agreed upon moment. This approach mirrors the investor logic commonly seen in for-profit venture capitalists who invest in early-stage, money-burning companies that have potential to return profits in the future. Instead of helping SEs jump the gap, social financiers could also help them to slowly cross the gap, for example by locking donations at a certain level. The SEs that increase commercial revenues, will face a loss of donations due to cannibalization. This loss could be compensated for by social finance institutions, until the commercial revenues are adequate, after which the loan will be repaid using these revenues. What could help social finance institutions with implementing these two strategies, is to forge partnerships with traditional investors from different backgrounds. This blended finance approach might involve a social investor providing some kind of loan to an SE, which is then guaranteed by the government or a philanthropic donor. This allows social investors to take on more risks while utilizing familiar instruments. The challenges associated with hybridized instruments can be addressed by the two professional investors, relieving the SE from the burden of needing to understand the complexity involved. However, this requires a close and collaborative relationship between the two capital providers. By implementing these strategies, social finance institutions and governments can enhance the alignment between their products and the needs of social enterprises, enabling greater support for their growth and impact. Additionally, social investors should provide more detailed information about their expectations in both social and economic aspects, so that SEs can more easily judge if there might be a match. Time is of great essence for these young organizations and so SEs should be able to understand these investor expectations early in their investor research efforts.

Social investors can thus help SEs by aligning their products with the SEs needs. However, this development cannot directly be influenced by SEs themselves. SEs, however, also have options to increase their access to external finance and scale their social value. They should have a clear vision of their position on the spectrum and position relative to the monetization plateau to communicate a clear story and strategy towards stakeholders, both internally as well as externally. Additionally, SEs should educate themselves on alternative financing and educate the social financiers on their needs.

Early-stage SEs operating below the threshold, that want to switch to a for-profit logic, can try adding commercial revenues to their model to test at what point they reach the plateau at which further growth of commercial revenues would diminish their overall monetization level. Once the location of this plateau is found, the size of the gap can be determined and thus the exact needs for external financing become known. With this information and with a plan on how the SE will operate a for-profit SBM 2 or 3 business model, they can take the next steps to increase monetization levels. They could leverage multiple external financing resources for this. Since at this point, they are still a non-profit, they could seek a grant or subsidy that allows them to make this jump. SEs in the current market and in startup stages are not leveraging subsidies and grants in their early stages enough, while in fact in this stage subsidies and grants are still more easily attained for for-profit SEs. They could also leverage crowd-funding sources for this. Crowdfunding is already used by a few of the SEs in this study and is gaining tracking in the SE sector as a whole. Crowdfunding, with its less narrowly focused, less risk-averse and less goal-specific investors is an ideal tool to quickly raise money for such a jump as well. Furthermore, venture capital could provide the financing needed. Although provided by institutions instead of citizens, traditional venture capital has similar traits as crowdfunding. This study suggests that in current market it is best to work with traditional venture capitalists, and not with social venture capitalists, as the former provides easier access to capital and moreover provides similar instruments. When using venture capital, convertible loans are a hybrid instrument that is used by some of the SEs in this study and like crowdfunding is gaining traction in startup financing. Venture capitalists are already familiar with these constructions. Convertible loans, combine equity and debt in a single, easily understandable construction. It allows for the SE to maintain the working capital needed to operate their ventures and jump the gap, without losing equity in early stages. Only at a certain point, for example, when the jump across the gap is made sufficiently, the loan converts into equity.

SEs operating below the threshold, that want to add a separate for-profit entity can devote some of their capacity to build a basis for this venture, once external finance is attracted to start this business it can be treated as any regular startup, operating independently. Like SEs that operate a for-profit model only, external finance in this startup stage can be attracted by leveraging owned capital - possibly some reserves of the non-profit entity – capital from friends, family and fools, or grants and subsidies. This allows for the entity to be run in an independent manner. In early-stages the for-profit SEs mostly work with equity angel-investors without specific sustainability themes, crowdfunding or convertible constructions. The latter two of which are used to a lesser extent, but as mentioned previously could provide easy access to capital. Most SEs however, either did not know about or mention convertible options or used crowdfunding. That is why SEs should educate themselves on alternative financing options. Some instruments, like convertibles, could be well aligned with their goals, providing simple and quick access to finance without losing equity nor working capital. Having a basic understanding of what kinds of hybrid investments exist and what the characteristics are would already be enough. This is where accelerators and other (subsidized) help for starting SEs could play a role. These could educate the SEs financially with regards to the alternatives that exist, besides helping them with attracting traditional finance. In order to bring forward the field of hybrid instruments and financing strategies for SEs, SEs should also educate social financiers on their needs, since apparently, they are not able to adequately address these. This could be done by working together with sector organizations and other SE-sector representatives, or by lobbying. However, the latter would only work for SEs that have less resource constraints to do so or have a core activity of their business model that is dedicated to these efforts. Lastly, in later stages equity is the mostly used and is attracted from strategic partners who already have some kind of interest in the supply chain or sector. In this stage losing equity to a strategic partner is not a burden any longer but might provide strategic benefits and growth opportunities. If SEs follow the proposed strategy of this paper and come to be using a highly monetizable SBM3 in later stages, hybrid instruments are less necessary in this stage as these SEs have reached their maximum potential regarding monetization and don't operate around the threshold. Additionally, to prevent mission drift, that might pose a larger threat in this stage, SEs can look for social investors.

The practical implications of this study are of significance for SEs, as well as social investors and potentially governments who wish to stimulate the SE market. The proposed framework in combination with the operating zones and supporting examples of how to jump between or work within these zones and what external finance to attract, provide SEs with a strategy map for increasing access to finance and an improved understanding of the next strategic steps to take with regards to their internal as well as external financing. This study also provides social investors with a better understanding of the needs of their potential clients and can adapt their products and strategies accordingly. This would further progress the field of SE finance and help with the adoption of SE business models. Lastly, a practical implication for governments is their improved understanding of SEs financing needs and intricacies and especially improved insight into the state of the SE market. The latter can aid policymakers that wish to stimulate the SE market in their efforts to do just that.

5.1 Limitations

While this study contributes to both theory and practice in the SE field, this study also has several limitations that should be taken into consideration. Firstly, the generalization of the findings could be questioned due to the relatively small sample size of eleven interviews. While the primary data collected from these interviews provided valuable insights, the results may not be representative of the broader SE landscape. Secondly, the conclusions drawn from the study are considered to apply for social enterprises in general, even though the interviews were conducted exclusively with social enterprises working with Nature based Solutions. This specificity might limit the extent to which the findings can be applied to social enterprises operating in other sectors. Furthermore, the research focused on Dutch social enterprises only, while the legal context in which SEs operate is of influence on their development and potentially on their financing strategies. SEs operating outside of a Dutch context might thus have divergent motives and strategies. Additionally, this research assumes that the social enterprises included in the sample are "successful" and their business models can serve as learning examples. This assumption may introduce a potential bias in the analysis, as it overlooks the experiences of less successful ventures, which could offer valuable insights as well. Furthermore, it is important to acknowledge that the social enterprises included in the sample have not all reached the same stages of development. Not all SEs were past early stages and thus might not succeed in later stages after all. This could imply that certain insights gained from these SEs may not guide other SEs in the right direction. Moreover, the model employed in this study combines elements from the models of Dohrmann et al. (2015) and Saebi et al. (2018), which, while similar, may lead to slightly different conclusions. This discrepancy in models could impact the interpretation of the data and the resulting recommendations. Furthermore, the assessment of the level of monetization within social enterprises is somewhat subjective, as it relied on individual judgment to some extent. The subjective nature of this measurement introduces a degree of variability or possibly even a personal bias and may affect the overall accuracy and reliability of the results. Lastly, it is crucial to recognize that increasing monetization and attracting finance does not always guarantee a corresponding increase in social impact. While this study suggests this is true for SEs that align their social and economic mission, it is essential to consider the broader social and environmental outcomes that social enterprises aim to achieve. The relationship between monetization, investments, and impact is complex and multifaceted, and solely focusing on financial indicators may overlook other crucial dimensions of success.

5.2 Future research

In terms of future research, there are several avenues that could be explored to address the limitations of this study and further advance the understanding of social enterprises' monetization and investment strategies. Firstly, expanding the sample size would enhance the generalizability of the findings. Conducting interviews with a larger and more diverse range of social enterprises would provide a broader perspective on the challenges and opportunities they face in acquiring investments and monetizing their business models. This could involve including social enterprises from different sectors beyond Nature based Solutions to gain a more comprehensive understanding of the factors at play across various industries. In addition to sample size, future research could benefit from including social enterprises that have faced challenges or experienced limited success. By exploring the experiences and strategies of these ventures, valuable insights can be gained on the barriers to monetization and investment, as well as potential solutions for addressing those challenges. This broader range of cases would provide a more balanced view of the social enterprise landscape. Additionally, objective measures of monetization could be developed and utilized in future studies. This would involve identifying and quantifying key indicators that reflect the level of monetization achieved by social enterprises. By incorporating more objective metrics, the subjectivity associated with assessing monetization levels can be reduced, thereby enhancing the reliability and robustness of the results. Furthermore, exploring the relationship between financial performance and social impact would provide a deeper understanding of the broader outcomes of social enterprises. Future research could investigate how social enterprises balance financial sustainability and social/environmental impact, and how different monetization strategies and investment approaches may influence these outcomes. This would contribute to a more holistic assessment of the overall performance and effectiveness of SEs. Besides future research addressing the limitations, additional research could focus on further developing the model by studying how the gap between operating zones can best be closed. It could for example analyze the role of policy and regulatory frameworks in supporting social enterprises and closing the gap between non-profit and for-profit orientations. Future research can investigate how governments and regulatory bodies can create an enabling environment that encourages traditional investors to work together with non-profit investors. Future research could also explore how emerging financing tools for SEs can be better aligned with the SEs needs. How could these tools be simplified for example. By addressing these areas, researchers can further advance the knowledge and understanding of how social enterprises can effectively acquire investments and increase the monetization of their business models. Finally, it is worth noting that the existing typology models in the SE literature appear to be directed more towards SEs with a humanitarian social mission, however, they are less applicable to companies with an ecological social mission, as identifying a specific beneficiary target group for such companies proves to be more challenging. Additional research could expand upon the existing SE typology models and explore this distinction further.

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Appendices

Appendix 1: Overview studies BWL research team

Researcher	RQ	Summary
Johannes Ortenburg	How can multi-stakeholder partnerships for landscape restoration leverage the business model elements of their projects to scale the environmental, social, and financial impacts?	Johannes Ortenburg's research aims to analyse which business model elements of multi-stakeholder landscape restoration projects are conducive to scaling and how these can be leveraged to increase the impacts of the projects. This will be investigated by conducting a multiple case study that allows to compare different business models of a a range of various projects across different landscapes and contexts. The aim is to conclude on crucial business model elements that are conducive to scaling environmental, social, and financial impacts, and specific processes and strategies that the social entrepreneurs in the BWL pursue to scale the impacts of their projects.
Johanna Gartner	How can social entrepreneurs utilize impact measurement to reduce institutional complexity for assessing financial capital?	Johanna Gartner's research is investigating how impact measurement of NbS by socio-environmental entrepreneurs can reduce the institutional complexity to improve the access to financial capital. At the core, SEs focus on social and environmental return while investment companies prioritise financial returns. In order to overcome this challenge, scholars noted that SEs who perform impact measurements are more likely to secure capital investments. The challenge is that there is no professional standard for SEs and financial instiutions to adhere to.
Daniel Günther	How can Institutional Logics explain the investment gap in Nature-based Solutions?	Daniel Gunther's research aims to compare the institutional logics of financial institutions and Nature-based Enterprises (NbE; enterprises which's core activities are NbS) in the NbS-sector to better understand the sector's investment gap. Institutional logics' basic premise is that individuals and organizations are embedded in one or multiple institutional logics which govern "both what is valued and how things are valued" and the subsequent behaviour. For example, how 'nature', 'social innovation' and 'systems change' is valued. Different institutional logics can interact with each other in multiple ways: they can co-exist, or rival or complement each other. Understanding institutional logics at play and how they relate to each other can help to deploy better-targeted strategies for effective collaboration among practitioners – be it Nature-based Enterprises, investors, or policy makers.
Seppe Maes	How can the increasing complexity of 'True' sustainable business models be communicated by using business model meta-models?	Seppe Maes' research is aiming to analyse what elements from various business model frameworks are important for NbE's, funders and private investors in the communication between funder/investor and grantee/investee. The assumption is that the investment gap in NbS and social innovations can be (partially) explained by the difference in focus on certain elements of the business model between funder/investors and grantees/investees and the information that they actually need. By researching what elements of business models the different parties focus on, the aim is to find a BM framework that is best at capturing all those aspects together and that can, therefore, facilitate easy communication and serve as tool between investor, weaver and social entrepreneur.
Thom Sabel	How can Dutch Social Enterprises manage their financing strategies through various stages of their lifecycle to enhance	Thom Sabel's research is analysing how Dutch social enterprises working on landscape restoration, protection and regeneration manage their financing strategies through the various stages of their lifecycle, this includes both internal financing sources through business model design as well as external financing sources. The aim is to discover how their businessmodels and external financing are linked, to

	access to financial resources?	enhance SE's understanding of different types of social financing and increase their access to financial resources.
Rowdy Klein	How is Collective Social Entrepreneurship perceived to influence the scaling of NBS?	Rowdy Klein's research is investigating how Collective Social Entrepreneurship is perceived to influence the scaling of Nature-based enterprises. Collective social entrepreneurship is essentially concerned with shifting impact from the organization level to the systems level by leveraging the expertise and resources of multiple stakeholders, including end users. It can take many forms such as co-owned, community-based, involving a range of local actors, or networks of social entrepreneurs addressing a social cause. The research logic behind it suggests that purposefully pursuing collective forms enhances the achievement of organisational aims, improves access to resources and funding, strengthens legitimacy, builds identity capital and, provides a mechanism for knowledge exchange. Taking into account such a structure can result in greater impact by a social enterprise, yet conflicts with the traditional supply and demand logic. Within the NBS industry suppliers are scattered across individually while constrained by similar barriers.

Appendix 2: interview guide

General (5 mins)

1. Could you tell me a little bit more about yourself, your role and history of the organization?

Main questions (25 min)

2. Could you tell me more about your social mission and how you plan on achieving it?

3. How do you generate income and how does it help your mission?

4. How did your funding needs change overtime?

5. How did you know which type of funding was best for your SE?

6. What enabled you to access this funding in each stage?

7. Upon reflection, what was the most difficult for your SE in accessing funds?

8. How did you overcome those difficulties?

9. What would you have liked to know about financing SEs at different points in your SEs' development, that you didn't know at the time?

10. What is your financing strategy going forward and why?

Outro (5 mins)

Thanks again for your time and for the interesting conversation! It's given me some insightful data.

11. Could I ask if you know any other Dutch SEs that might be interesting to approach for this study?

12. Could I ask you if you or a colleague of yours has time for a second interview with one of my fellow students in this research team?

13. Do you have any additional questions for me about our conversation or anything else that comes to mind before we sign off?

Appendix 3: Substantiation of positioning SEs

In this appendix, the positioning of the SE on the spectrum of Dohrmann et al. (2015) is substantiated using triangulated data from different sources. The main sources that were used to be able to position the SEs were secondary data gathered via desk research and primary data from the interviews held in this study. The secondary data sources that were used are included in the sources chapter of the main body, but not included in the texts below in accordance with APA-style referencing, since this information emerged from the combination of different sources. In every subtitle used in this appendix, the color that was used to anonymize the data, is mentioned.

1. *Blue*

Sources used: websites (Company), interview

Blue is an investment platform that provides investment products for retail investors, mainly in Nature Based Solution projects abroad. Their primary social mission is to make investing in nature a profitable endeavor and this way attract more finance for good. Blue has two target audiences, the retail investors, and the project partners in which the retail investors invest. The retail investors are thus on the consumption side of the business model and are not the social target group, but rather a market target group. The project partners are both on the production as well as the consumption side of the business model, as they are both the ones who create value for the investors with their projects but are also the paying customers through the interest they need to pay for the investments they receive in their projects. The social mission is thus achieved together with the beneficiaries, who are also paying customers. The investors on the other side, also need to pay Blue a management fee which can be seen as commercial revenue. This makes Blue' business model a SBM type 3 and 4. This combination of business models has been used since the initiation of the company and has not been changed since. They state on their website, that sustainability should be rewarded and according to Crunchbase, Blue is a for-profit organization. This fits the SBM type 4 monetization level and puts them high on the spectrum regarding monetization, as the revenues come from both western investors, as well as from the beneficiaries and thus outweigh the expenses significantly. Blue has received a 500 thousand Euro seed investment in their first and only funding round in 2021. Their team size is in the 1-10 employee category, they have been incorporated in 2019 and have 1200 investors and 3 projects up and running. The market is thus tested. Blue can be seen as an early-stage startup.

2. Yellow

Sources used: websites (Company, Hive Energy, Duurzaam Financieel, Crunchbase, LinkedIn), interview

Yellow plants bamboo on a large scale in Europe, for European consumption by the commercial industry. They plant, process, and sell the bamboo, regenerating soils and capturing carbon in the process. Yellow is the first industrial scale bamboo grower of Europe. Their ultimate goal is creating a bamboo industry in Europe and supporting SDG 8 and the European climate goals. They believe bamboo has the potential to be a renewable raw material for multiple industries in Europe. Yellow states that they focus on the regions within Europe in which the conditions for agricultural practices are difficult and soils have degenerated leaving these local sectors with little opportunities for youth. Their goal is to bring back the youth and create a lively green economy in the regions where they work. They also work together with universities, research centers and innovative companies to create a research-centered environment to continuously improve innovation in the bamboo sector. Besides selling the bamboo itself, they also create externally verified and certified carbon credits that are sold to businesses that want to help them with the implementation of their project or want to offset their carbon footprint. 93% of the return from these credits are used to grow their bamboo-planting projects and 7% of the returns made is transferred to the Climate Cleanup Foundation to help them scale their verification services. Besides selling their own bamboo, they also provide services for businesses that would like to grow their own bamboo and provide investors with the option to invest in their bamboo plantation and share the revenues. Looking at their main activity, producing, processing, and selling bamboo, Yellow is leveraging their social mission for both economic as well as social returns. They work with the social mission and the beneficiaries who are deployed on the farms, to create value. The beneficiaries are not the paying customers in this case. This makes Yellow an SBM type 3. However, they have different business models, as they also sell carbon credits, which could be seen as generating commercial profits *with* the beneficiaries (earth/society) as well. This would result in another SBM type 3. Moreover, their consultancy services to businesses who want to plant bamboo themselves and the accompanying bamboo shoots they sell, could also be seen as an SBM type 4, as these clients are also the beneficiaries, who create value by growing the Bamboo and selling it back to Yellow. They are the beneficiaries according to Yellow because by 2030 a third of the European farmland will not be useful for traditional farming practices any longer, and their solution can provide alternative and sustainable income to farmers. The SBM4 business activities have been added in later stages of development and allowed the company to 'leapfrog' a year ahead in their development and enabled them to grow with less costs, thus increasing monetization. The carbon credit services were also added in later stages and helped push the revenues in even more excess of the expenditures. Monetization of this business in therefore high.

Yellow was acquired by Hive Energy in February 2023, who bought 50% of Yellows' shares. The capital will be used to scale the business from its current 150 hectares to 2000 hectares in the next two years. Moreover, Yellow received 275 thousand Euros in funding through crowdfunding platform Blue in April 2023. No data can be found on any other previous funding rounds. Yellow was founded in 2017 and currently employs 8 people. Yellow is probably an early-stage startup.

3. Light green

Sources used: websites (Company, BioEnergy International, PitchBook, LinkedIn), Interview

Light green reforests degraded cattle land using silvopasture systems that improve soils while allowing cattle grazing to continue. The Pongamia tree is used to reforest land areas in the Paraguayan Chaco, an area that was deforested more than 10 years ago. Besides regenerating land and capturing carbon, the native Pongamia tree also produces non-edible beans that can be refined into cattle feed as well as biofuels. Light green started in 2013 and received support from agricultural technology partner TerViva BioEnergy. Light green currently has the world's largest Pongamia tree production site with 700 hectares planted already and an annual production capacity of 2 million trees. They employ around 100 people. The goal is to plant 50 million trees and regenerate 150.000 hectares of degraded cattle land. Their operations create jobs for local communities, and the silvopasture methods allow cattle ranchers to continue their grazing activities. They also house an R&D and tree propagation research center. Light green has multiple sources of income from its operations. The shells of the beans are sold as cattle feed, the oil that is produced with the Pongamia beans is sold to ECB Group Paraguay, who will refine the oil into biofuels. ECB Group is the sole purchaser of the oil and so the partnership is also referred to as an investment from the ECB Group. Additionally, the carbon that the trees sequester during their growth is verified and certified to create carbon credits. Initially their business model did not incorporate the beneficiaries, as they were merely selling the seedlings of the trees to farmers, in order to reach the goal of reforesting the area. This model, however, proved to not be profitable enough for the farmers and so incorporating the farmers in the mission by leasing their land, employing them and start selling the produce of the trees instead of the trees themselves, allowed them to increase their growth and monetization, as the trees produce yields for many years and thus allow for relative costs to be significantly reduced. This, in combination with the sales of their carbon credits, brings their monetization on par with the SEs mentioned above. The model that was used initially can be classified as an SBM type 2, since they sold the trees to farmers to achieve reforestation and carbon sequestration, thus leveraging commercial revenues *for* the social mission. When the business model shifted towards incorporating the farmers and growing the trees themselves, the social mission, both the trees as well as the farmers, are thus employed to create value for commercial market buyers. This means the SBM type of Light green shifted to a type 3. With their mentioned size, partnerships with corporates and number of years in operation Light green is probably in later stages.

4. Orange

Sources used: websites (Company, PitchBook, LinkedIn), Interview

Orange trains youth in low-employment areas as maritime professionals and simultaneously conserves maritime biodiversity by employing conservation services and off-shore inspection services. The primary social mission of Orange is to restore 1 million hectares of nature in the sea before 2040 and train 20.000 youths for their maritime career. Their main social mission is thus to protect and restore ocean biodiversity using unemployed youth as a resource input. The youth is the beneficiary and is also used in the value creating process, as the services they provide are marketed to both the government, i.e., the public, and later also to regular paying customers, the offshore wind sector. The SBM can thus be categorized as both a market-oriented business model (SBM3) as well as a commercially utilized social mission business model (SBM4). The SBM4, however was added in later stages, when they started selling their service to commercial clients, besides public institutions. Looking at the SBM type from the perspective of the Ecological mission it can be said that the social value is created *for* the social mission, i.e. nature. Nature itself is not used in the creation of value from this perspective. The beneficiaries, i.e. the public, reap the benefits and are paying customers via taxes. From this perspective, it could also be seen as a one-sided business model (SBM1). The focus on SBM3 is being expanded to providing services to commercial off-shore companies, who are paying and cross-subsidize the social mission, ie the youth that is employed (SBM3). The market-oriented business model provides Orange with enough revenue to continue and even expand their business using a franchising model. Their business model is 'proven' and they are looking for growth-funding to help them with their roll-out of the franchising model. The training of the youth is a business activity that does not generate funds, but in fact the funds from the SBM3 and 4 activities are used to subsidize these activities, which are operated as a non-profit. The monetization level of this SE falls above the monetization threshold, but still in the mid-range area. Some other characteristics that are typical for SBM3 are also found for Orange. Additionally, they allow investors to support them on project level with small loans, as well as for their boat-making efforts.

From a life-cycle perspective Sea Rangers is in their late-stage VC, with 2 investors by their side. They were founded in 2016 and currently employ 20 people. Also, they have plans to expand to new countries, now that "their business model has been proven" using a franchising method.

5. Dark green

Sources used: websites (Company, Dark green, LinkedIn), Interview

Dark green, established in 2016, offers sustainability consultancy services to a wide range of organizations, including companies, municipalities, and NGOs. Their primary focus is to assist these entities in reducing their carbon footprint, minimizing plastic usage, implementing circular practices, adopting biobased solutions, and overall, implementing strategies aligned with the principles of Dark green. In addition to providing consultation and developing solutions for clients, they also initiate and develop their own sustainable ventures. These ventures can take the form of collaborative projects co-created and co-funded with local communities, aimed at benefiting the community itself. Alternatively, they may involve knowledge sharing and network building to foster a sustainable economy. While the business models employed for their commercial and public-sector clients emphasize value creation *with* social missions, their own business model, which involves consulting and project development, does not create value *with* the social mission. This categorizes their business model as an SBM type 1 and 2. However, the ventures they build are initiated by their employees, who also serve as the embodiment of the social mission. Dark green's objective is to provide affordable goods to employees and other customers, thereby generating value through the social mission as well. Defining the paying customers for this aspect of their business model becomes complex, as there are no direct customers purchasing these ventures. However, the beneficiaries of the ventures, including both the intended beneficiaries and other commercial clients, can be considered as customers of Dark green. In this sense, these indirect customers contribute to Dark green's commercial revenues, making this part of their business model fall into the SBM type 3 and 4 categories.

Dark green states that their focus is not solely on generating revenues. Although their consultancy services do generate more revenue than their expenditures, maximizing these revenues is not their primary objective. Thus, the monetization aspect of this activity falls within the mid-range of the area above the monetization threshold. On the other hand, the venture-building activities often require funding and do not generate revenues surpassing the associated expenditures. These activities are supported by cross-subsidization from the consultancy services. As a result, the potential for monetization decreases as these activities are introduced in later stages.

To secure the necessary funds, Dark green relies on crowdfunding and subsidies as alternative sources of funding alongside their regular operations. Currently, the company has a team of four employees, as per their LinkedIn profile.

6. Red

Sources used: websites (Company, PitchBook, LinkedIn), Interview

Red provides individuals and businesses with (corporate) social responsibility tools, like a carbon footprint calculator and projects to which they can donate revenues or private funds, as well as an e-commerce service with which online businesses / its customers can automatically donate an amount per purchase. This allows for a broad reach and high fundraising efficiency. Red’s projects range from Ecological projects such as tree planting projects and renewable energy projects, to more social projects such as water access projects. They thus create value *for* the social mission, by leveraging commercial revenues as well as from paying beneficiaries, which are the consumers who reap the benefits of climate mitigation efforts. This makes their business model a type 1 and 2 business model. Red specifically chose to be a for-profit entity, although their operations are very similar to that of non-profits. The reason why they registered as a for-profit is to be able to leverage investments and scale more quickly. This is needed in their eyes because climate change is also a rapidly increasing problem. Since they are similar to non-profits and in essence use donations to generate commercial revenues, they have to be very transparent in their communication to not lose legitimacy. Moreover, they cannot afford to generate large amounts of commercial revenues, as their operating margin cannot be higher than that of non-profit and usually is around 20%. Their fund-raising efficiency allows them to keep their costs low, however. This efficiency was further improved when they added commercial clients to their target audience, which is why their monetization potential rose from moderately generating revenues to adequate revenues, on par with the orange SE.

Red was founded in 2018 and currently employs 120 people. They have already been through several large investment rounds, of which the last one, a series A round, closed in June 2022. They used venture capital, crowdfunding, and angel funding. None of their venture capital investors were specifically targeting sustainable businesses.

7. Wine red

Sources used: websites (Company, Crunchbase, LinkedIn), Interview

This organization aims to help ocean restoration by funding oyster projects through selling the ecosystem services provided by oyster reefs to businesses that want to become more sustainable. They have developed a product that allows marine restoration to be cost-effective and scalable and have successfully run tests in The Netherlands and Denmark. For providing the ecosystem services they partner with local fishing communities to deploy their projects anywhere in the world. The businesses that buy the credits that are generated from these services provide the income that is needed to grow the business. All income is invested back into growing the oyster reefs and help the ocean. The services are thus sold to commercial businesses and in the value-creation process, the beneficiaries – nature and the fishermen - are included, thus making their business model a type 3 model. Their model started out with only doing the research needed to understand how to grow the oysters on a large scale. The knowledge they gathered was public good knowledge, so shared with the public. This allowed them to initially get funding from grants and subsidies and research competitions, thus leveraging tax-payers money, to fund their research *for* the social mission. Their initial model could thus be seen as an SBM1, because the beneficiaries of the ecosystem services are also the paying customers, and the knowledge is used *for* the social mission.

Initially, in their product development stage Wine red required funding for all their operations, as no revenues were generated. This also means, that no form of commercial revenues are generated and thus they were not an SE yet, according to the definition used in this study. Their sales of the carbon credits allow for significantly more revenues in excess of their expenses, which puts them on par with yellow and light green.

Wine red has developed the necessary products to deploy their services and have done real live tests. Currently they are scaling their services towards large scale commercialization. They have gathered many subsidies, grants, PhD funding and an investment from an angel investor and are currently raising for a big series A round. They were founded in 2021 and currently employs 6 people. Wine red is probably in their early stages.

8. Navy blue

Source: websites (Company, LinkedIn, Crunchbase), Interview

Navy blue is a non-profit with an official charity-status. However, Navy blue is not funded in full by donations only, but also generates revenues in the form of membership fees and income from their projects. Together with the donations these are used to cover their running costs. Half of their income is generated by the projects they do for governments, a quarter by their members fees and another quarter with donations. Their monetization is therefore just 25% short of generating revenues, placing them slightly below the threshold. Navy blue's mission is to build and accelerate a sustainable and nature-inclusive seaweed sector to positively impact global challenges. They do so with their network of 'members' who represent all parties involved in the seaweed economy value chains for food, feed, bio stimulants and biomaterials. They leverage this network of members and their knowledge to accelerate the growth of the sector, by facilitating knowledge exchange, enabling collaborations, identify knowledge gaps and opportunities, represent the sector towards policymakers and in general built visibility for the sector. They also provide a platform at sea from which organizations can pilot all kinds of projects and do seaweed related research. As they provide value *for* the sector in collaboration with the sector itself, the model is working both *for* as well as *with* the social mission. Funds come from the beneficiaries who are paying a membership fee, as well as fees for the use of the offshore test site, making their SBM a type 1 and 4 model.

Navy blue was founded in 2012, with the initial goal of capitalizing on the opportunities seaweed brings, however, this goal evolved into a more social mission, which is building a strong and healthy seaweed sector, in and from the Netherlands. This social mission is made explicit on their website stating that they will always remain a non-profit at their core and that commercial revenues are only allowed if they don't cannibalize on their social mission in any way. Navy blue currently employs 16 people. No information can be found on how they fund their own business.

9. Light blue

Sources: websites (Company, LinkedIn, Pitchbook), interview

Light blue is a foundation that has committed itself to facilitating and initiating the transition towards Regenerative Agriculture. In partnership with various stakeholders, including NGOs, public authorities, and impact investors, Light blue aims to promote the adoption of regenerative practices worldwide. Their efforts involve the provision of consultancy services and training for farmers, as well as the establishment of model farms that serve as demonstration sites for regenerative agriculture. To support their initiatives, Light blue provides funding sources by connecting farmers with buyers and external financiers. As a non-profit organization, Light blue offers their services free of charge or at a low price. The beneficiaries are thus the paying customers, albeit at low prices. In addition, the foundation channels grants and funds for social impact and research into their projects. They receive donations and grants from institutional and private organizations and private individuals and family offices.

Light blue's investments department, a separate for-profit entity, develops commercial projects independently and is activated through the foundation for corporate partners, who pay substantially for their services, thus placing this business activity high on monetization potential. This dual structure enables Light blue to serve a broad range of clients while maintaining a sustainable business model and increase their overall impact. When seeing Light blue as one entity, commercial revenue from the investments branch cross-subsidizes the social mission that is the foundation branch. Thus, the foundation is located near the bottom of the y-axis. The foundation creates value *for* the mission and the investment branch *with* the social mission. This makes their SBM a type 1, 2 and 3. In this instance it's also the other way around, the social mission from the foundation branch provides for the funding needed to de-risk and make projects commercially viable. The value is thus created with the social mission in this aspect as well and commercial revenue cross subsidizes that mission. This also point at a type 3 model. Light blue thus uses blended finance principles and blend a non-commercial type 2 with a commercial type 3, to reap the benefits of both sides. They do this by blending entities themselves, instead of looking for partners that provide blended finance.

The investment company is owned by a group of shareholders who are carefully selected by Light blue. Over the course of the first years, the company has built a strategic partnership with Meraki Impact, whose contributions have played a key role in propelling the growth of Light blue. In 2020, the DOEN Foundation and four impact investors joined forces with the company to bolster its capacity for generating positive impact at scale.

Light blue was founded in 2018 and currently employs 36 people. Six investment rounds have passed, three of which were grants and 3 of which were commercial investments. Two commercial investments were seed rounds and the latest, in 2021, was venture capital.

10. Purple

Sources: websites (Company, LinkedIn), interview

Purple works to establish holistic landscape restoration as a widespread practice, promoting the regeneration of degraded landscapes and the preservation of our planet. They collaborate with a diverse group of partners in over 20 countries, providing landscape practitioners with the necessary tools, knowledge, funding, and networks. Their ultimate goal is to restore 100 million hectares of degraded land globally by 2040, and they have developed the 4 Returns framework as a practical approach to achieve this goal. They collaborate with philanthropic funders and impact investors to offer their local partners both long and short-term funding opportunities. Additionally, they provide access to the 4 Returns learning network, connecting individuals and organizations working in landscape restoration worldwide. Through this network, participants can learn from peers and experts, contributing to the creation of thriving ecosystems, economies, and communities. Furthermore, they work closely with policymakers to promote integrated, multi-level policy frameworks that support holistic landscape restoration. The focus of Purple initially merely was to facilitate the transition to regenerative landscapes, and to a lesser extent on participating in the project themselves, but they started co-initiating and co-developing projects in early stages. Their involvement in these partnerships could range from minimal to substantial, including financial support. This model, however, was phased out again in later stages, due to resource constraints and lack of clear story towards all stakeholders. Additionally, they tried selling consultancy services to commercial parties as well, but this effort was not effective either, as the line between who had to pay and who didn't have to, became very blurred. Their activities are thus primarily aimed at working *for* the social mission. Besides donations, they tried leveraging revenues from the provision of loans to beneficiaries but went back to solely working for the social mission. With the business model typology used in this research, being solely reliant on donations doesn't include any of the business models. However, the business models they tried using, can be seen as an SBM type 1, as they provided the loans to the beneficiaries, who were also the paying customers in the form of interest, but were not necessarily included in social value creation of Purple and an SBM type 2, as the consultancy services they tried selling to commercial clients, means they are leveraging commercial revenue to teach clients how to protect and restore nature. Nature itself is not creating the social value, so their SBM works *for* the social mission in this instance.

Purple currently relies fully on donations and so their monetization, if they would be included in the model of Dohrman, would be completely at the bottom. Their attempts to increase monetization with the SBM1 and 2 brought them up a little on the spectrum, however, the income from these activities remained very small relative to the other activities.

Purple was founded in 2013 and currently employs around 60 people. Purple itself is funded by grants, income from sponsoring lottery organizations and funds from non-profit organizations.

11. Pink

Sources: websites (Company, Crunchbase, LinkedIn), Interview

Pink is a publicly listed company that develops large-scale carbon and biodiversity projects accredited by third parties. Their focus lies on helping governments and corporations achieve net zero by providing ecosystem restoration projects to offset corporate emissions as well as with other consultancy services such as sustainability accounting services. Pink envisions to be a leading impact investor in nature-based solutions. They started out as a broker service in which they bought carbon credits and resold them at higher prices. Later, due to the owner wanting to add more social value with his company, they started doing the project developments themselves. Now they develop and manage the projects and work with local teams and partners to generate these carbon and biodiversity credits. Besides providing services to governments and businesses to operate in a carbon neutral way, they also provide investment opportunity for investors in these projects. The investors' returns stem from the credits that are sold to the businesses and governments. Although their focus lies with selling credits to businesses, they also leverage donations from consumers.

Their initial broker model meant that they were leveraging commercial revenue *for* the social mission, as the mission was not incorporated in the value creation, but merely the reselling of the credits created value. In later stages when they started developing projects themselves, they started working *with* the social mission as well. Commercial revenues are thus generated both *for* the mission in the case of their initial broker services and the additional consultancy services to help companies become more sustainable as well as *with* the mission, in the case of the carbon credits sales and project development, as well as. This makes Pink both an SBM type 2 as well as a type 3. They also sell credits to consumers which are the beneficiaries as well, making their model a type 4 as well. Their investment products also fall under a type 3 business model as these commercial investors buy bonds, that generate revenues through the sales of the credits, so *with* the social mission. By including the social mission in their services through the project development they are more in charge of their expenditures, which could potentially increase monetization. However, it could also decrease monetization in the case that their operations are less effective than that of others, thus maintaining their monetization potential regarding their core products. The added consultancy services do not allow for an increase in monetization potential either, as these services are provided by partners, so Pink itself does not reap the revenues generated from this, but merely do this to attract more customers.

Pink went public in September 2020, for several reasons. Accelerating their growth by fundraising through the IPO, to create liquidity to an illiquid market, for attaining a higher valuation and for leveraging global publicity. Before going public, Pink acquired over 11 million in investments. Pink currently employs around 35 people.

Appendix 4: SE overview of finance instruments per stage

		Start-up stage	Early stage	Later stage	Public stage
For-profit	Pink	Own capital	Convertible loans	Bonds	Public equity
	Blue	Own capital, equity, subsidies	Equity (bought-back later)		
	Light green	Own capital, equity	Equity, convertible loan	Equity	
	Yellow	Own capital	Equity (direct investment), loan-crowdfund	Equity	
	Red	Own capital, equity	Equity, equity crowdfund,	Equity	
	Wine red	Philanthropic, grants, scholarships	Equity		
	Orange	Own capital, funds	Low interest loans	Convertible loans with buy-back option	
	Dark green	n.a.	Funds, equity-crowdfund		
Non-profit	Navy blue	Philanthropic donations, funds, subsidies	Philanthropic donations, funds, subsidies	Philanthropic donations, funds, subsidies	
	Light blue	Subsidies, grants, Philanthropic donations	Subsidies, grants, Philanthropic donations		
	Purple	Philanthropic donations, funds	Philanthropic donations, funds	Philanthropic donations, funds	

Appendix 5: Complete coding table

Company	Quotes	1st order	2nd order	aggregate
Pink	But above all, what is the time to actually have the assets in your account. And that is all the more complex the construction, so also with convertibles with larger stock rounds. That's all, it's possible, but then you just work longer.	More complex impact funding strctures inherently take more time, which startups do not have	Social investors don't match SEs needs	Perceived triviality of combining logics
Orange	The other thing that makes it difficult is that, for example, the ship financing, which is now Triodos bank that finances that. That also took something like 2.5, 3 years. We have been rejected several times by the bank, because Triodos bank does not do ship financing. That's a very specific thing.	Institutional social investors use narrow themes		
Wine red	who basically said, very quickly to us this isn't blue carbon. So, it doesn't fit into our investment theories	Barrier to attracking impact finance is investors thinking in narrow themes		
Light green	You can try things with Invest International nowadays and the FMO, for example. But we have that experience, we have sat down with FMO. Because we thought that was pre-eminently a party that could finance us very well in the past, but that did not work.	Not able to receive funding from institutional social investor		
Pink	My wife was a museum director for a long time, so she was in the subsidy corner and That was exactly the same, because as a museum you actually have to be able to keep half of your pants on yourself and the other half comes from subsidy. This is the case with every major museum, from the Rijksmuseum to the Fries Museum. And then there are just all kinds of different pots where you have to knock, where you just have to fit in and you have subsidy advisors who also know exactly what is released	Institutional social investors use narrow themes, Subsidies require constant monitoring and are too time consuming		
Light green	"In retrospect, I think it was a good thing. Because if they're that difficult at the beginning, they're also difficult today once they've made the investments, so that means you're spending a lot of time on that."	Social investors are too resource intensive		
Wine red	It is weird saying this, but mainstream sustainability does not have a place for us right now yet.	Mainstream sustainability is too risk averse for newest markets		
Wine red	What are the reasons why pension funds aren't investing in oceans? Yeah, and for me there's sort of three points to the question, one is you need scale like these people. The ticket sizes were like fifty to 100 million anything below that was just not of interest	Ticket sizes in NbS too small for big institutional investors		
Light blue	As long as it is not greenwashing, so we do not just go into the sea with a Foundation from Shell for a little explanation.	Investors should be mission aligned		
Orange	so all kinds of systems are set up on those two pillars, while you just go Together, just makes it hard to be faster, to get through it.	Social and Ecological are separate themes in social investing		

Orange	“And with the DOEN foundation it was literally like “We have a program manager green and a program manager social. Which one are you?”	Barrier to attracking impact finance is investors thinking in narrow themes	(Social investors don't match SEs needs)	(Perceived triviality of combining logics)
Wine red	You have like a Tam Pam, Whatever these things are and then it's like, how can you demonstrate that you're gonna be participating in whatever the size of this market is? I think that's a pretty good way to go about these things. And people have really tough time getting through this. And if they do get through, this is maybe because investors are not applying this model very well or they've made a lot of assumptions that don't make sense	Investors have certain framework to decide on their investments that some startups have a hard time understanding		
Light green	At the same time, we ask for investments to plant a tree on a land and that is often seen more as a real estate development-like approach, project financing than as corporate financing. So I thought, you have to dive into that difference there as well, so in that sense, they weren't the easiest parties and we weren't the easiest venture to finance	Challenges fitting in with investors investment themes		
Orange	The other thing that makes it difficult is that, for example, the ship financing, which is now Triodos bank that finances that. That also took something like 2.5, 3 years. We have been rejected several times by the bank, because Triodos bank does not do ship financing. That's a very specific thing.	Institutional social investors use narrow themes		
Light green	Well, then you get into the situation of yes it's a new tree, new technology, new forms, where people say yes, why should we do that, we now have an income on that land and these are risks that we then take, which we don't see in the short term that revenues come out and the investment was too big at that time.	Clients saw too high risk in early business model		
Purple	Because as an Impact Investment they were seen as so risky by the bank that they could not get a loan for it.	Social investors are too risk averse		
Orange	But I also wish good luck because It's really complex It's really not that easy.	Managing lanscape of social investors is complex		
Navy blue	“It is sometimes much more difficult on the fund side, because we lean towards the commercial side... So why would a fund invest in it? Funds are often for, well, social enterprises, but more for things like subsidizing the cancer fund or building a school in Tanzania, purifying water in, well, anywhere.”	Social investors like investing in impact directly better		
Light green	No not even too commercial no. Then we were really still in the phase of the product is new, are you actually going to realize it there, Paraguay fits well in our profile. Knowing that FMO does invest in banks in Paraguay, so that in itself was a disappointment that such a party does not get in.	Institutional social investor need much trackrecord		
Blue	Because the investor we had now also had the same mission as us and that just helps a lot. In the past two years, it has also done all kinds of other things that have not necessarily been done financially, such as projects	Mission alignment with investor important		

Wine red	Because this person with the generous minds was just like, hey this lady does not have these investment teams and will be really interested in what you're doing and shes got a lot of money.	Investors found in network, Not specifically sought social investors because experience of silo/theme thinking	(Social investors don't match SEs needs)	(Perceived triviality of combining logics)
Purple	Because people are hard to persuade to do something new when they have had a farm that is run in a certain way for 5 generations.	Working with people and their risk averse nature aggravates landscape finance		
Pink	Yes, it's just a profession in its own right.	Managing lanscape of social investors is complex		
Pink	And with banks you just don't even have to knock on the door, because they are probably the most risk averse of all. Interviewee When we make payment in Cameroon, just 1 in 4 payments gets a call from the bank to explain what it is for.	Banks are not option for impact finance, too risk averse		
Wine red	who basically said, very quickly to us this isn't blue carbon. So, it doesn't fit into our investment theories	Barrier to attracking impact finance is investors thinking in silo's		
Orange	The government thinks yes, wait a minute, This is, you know, We have a sustainability challenge. We have a limited budget. We have shortages of young talent	Governments convinced by providing low cost solutions for societal challenges	Social and economic mission are aligned	
Orange	So, there's just a lot more money for the social domain than in nature protection, but if you can start using that, or actually that you can link and combine both worlds, hey.	Working with the social mission allows for quicker growth than working for social mission		
Orange	The moment you start talking to a Minister of Economic Affairs or Social Affairs instead, you have a completely different conversation, because then suddenly it is about socio-economic value	Economic value creation important for attrackting government finance, More public funding available for social issues as compared to eco-issues		
Orange	And we are now seeing that happen more and more structurally - that the clients who hire us also have enormous difficulty attracting young talent	Mission alignment with clients important		
Orange	That trajectory is, you could say, cash flow neutral, in the sense of there are a few social funds, our operating company pays a little, a little sponsorship and ultimately that is only to train those young people, not to make money	Commercial entity subsides non-profit activities		

Orange	So those are also things, yes, you have to know how to create the space for yourself and not choose the easy way	Not choosing the easy route for fast financing is best for SE	(Social and economic mission are aligned)	(Perceived triviality of combining logics)
Orange	But yes, once they're hooked up yes and they see the benefit in that, yes, they stay and then it's a very important partner	Once onboarded, social investors are an imporant partner to SE		
Light blue	Well, sometimes you see when we talk to those Foundations then sometimes they don't care If you are a BV, but sometimes they do care If you are and BV and then they want to go to the foundation.	Dual structure (foundation + LTD) allows for easier access to clients		
Wine red	this is why from a sort of local province perspective. All the provincial permissions are really easy to acquire because we’re providing jobs for these coastal communities which are having a really tough time at the moment anyway.	adding social mission next to environmental mission eases government restrictions to a large extent., Value created with the social mission (employees)		
Wine red	And then the second they almost always fail to include local stakeholders in the planning process	Stakeholder engagement is very important for attracting finance		
Wine red	But yeah, I really like the idea that we’ve all got the same, Um, a profit. We've all got our incentives so well aligned. Everyone's incentive, sort of are the same, basically	Profit sharing model creates mission alignment between all stakeholders, Stakeholder alignment is very important for scaling		
Wine red	Yeah, I think that's really nice for the people that. If you're trying to create like goodwill and alliances with potential clients really demonstrating that, you're only succeeding when they succeed	profit sharing donomstrates partnership has equal interests		
Navy blue	And we are a foundation that is useful in some cases	Being a foundation helps attracting finance in some instances		
Light green	Yes, to go even faster after that and to be able to plant as much degraded land as possible.	Reason for adding commercial revenues is scaling impact		
Yellow	because I mean Europe is one of the biggest bamboo production markets at the moment. That wasn't a problem, so basically our Challenge is planting as much bamboo as possible, and so we're doing that with external parties plants, because they already have land, farmers, because they can manage those fields and set up the system	Started working with beneficiaries out of ambition to scale social impact and find product market fit		
Yellow	Why? Because then you know If I buy a piece of land and I plant bamboo there and I have credits, then that financing is just much lighter. And that's how you get one step further every time. We see the credits lauter as transition financing.	Additional commercial revenues allow for quicker growth		

Yellow	So that's why we thought well, if you have to base a full model, on land that you buy yourself that's going to cost a lot, then you're better off working with others who already have land and who do some of the work. Wherever we distribute the proceeds	Working with the social mission allows for quicker growth than working for social mission	(Social and economic mission are aligned)	(Perceived triviality of combining logics)
Wine red	pay you back like between 900 and 1,500 pounds per acre. So like more than doubling the amount and this wasn't like the sustainability function. This was like hard-nosed finance speculators saying these are assets which we believe are going to improve in value	If sustainability is profitable, commercial interest arises		
Wine red	"I mean for a long time we were also looking at can we get this money from a charity? But we wouldn't be able to get money from charity if we were a for-profit entity. Yes. And I, for a long time was like is this going to be a for-profit or not? But the long-term goal is to eventually make these oyster bonds, which are investable as a pension fund instrument and pension funds do not invest in NGOs."	Aligning social and economic mission prerequisite for growth		
Orange	But it is a means to ultimately achieve our goal, which is really about the social and especially the impact of in our case seagrass restoration is what we carry out for biodiversity restoration.	Added b2b services to increase income and scale social impact		
Light blue	Well, sometimes you see when we talk to those Foundations then sometimes they don't care If you are a BV, but sometimes they do care If you are and BV and then they want to go to the foundation.	Dual structure (foundation + LTD) allows for easier access to clients		
Red	"And so, because of that we recognize that [selling to] businesses is probably higher revenue. So, it's basically higher revenue and higher impact, which is really important. Also, the way that you can onboard a business and then the individuals within that business will then be motivated to join up as themselves outside of their company if they like the brand, that was another point as well."	Added b2b services to increase income and scale social impact		
Red	"Being a very genuine brand and also being very transparent [gave us access to funding] …In terms of the transparency, we do a lot to just make sure that our customers know everything that's happening within the company."	Transparency in hybrid organizing prevents cannibalization		
Light blue	And then what you do is you do indeed spend the money on the foundation. The money then enters a foundation and the foundation hires the BV to eventually do the execution. And in the end, of course, a lot of money remains in the foundation, because you also have to keep running that foundation.	Ltd (indirectly) leverages commercial revenue with social mission		
Light blue	"And then I think two years later, so I think that's three years ago now, the two founders saw that more and more multinationals were interested in doing this in their own supply chain. And those were really the Kraft Heinz, Unilever, and also the smaller parties. So yes, then it was suddenly like, okay, maybe we should make an Ltd in order to be able and allowed to work with these parties, so then they had actually made an Ltd."	Added b2b services to increase income and scale social impact		
Pink	"But then you're still at your desk calling with Southpole and RWE. Well, what kind of positive change have you	Started working with beneficiaries out of		

	brought about then? So, I kept looking and the further we got into that process, the clearer it became that to really have an impact and to really say it's our project, we really made a difference, you just have to start hiring people locally. You have to be there yourself and that's how we started in Kenya".	ambition to scale social impact and find product market fit	(Social and economic mission are aligned)	(Perceived triviality of combining logics)
Purple	It is often underestimated by funds that, for example, are initially only philotropic. Who then think of well, then we are also going to borrow or invest something, but there are completely different knowledge experience and risk considerations, other things involved and then you also have to have someone who is actually there, really a financial colleague who deals with that	Specific financial knowledge needed to add commercial revenues	Resource use optimization	
Pink	it's two reasons, one is of if you get something In the sense of donations, subsidy, that kind of thing there's always something attached to that, so something else.	Subsidies and other donations often come with extra requirements which is harder		
Pink	But those were all trajectories of 1.5, two years and until then, you had to wait to see if you were going to get it or not. And yes, that didn't work, because the ones we had to meet with were landowners who said, okay, I can sell it now, and I do want to listen if you have a green and sustainable alternative, but I'm not going to wait 1.5 years, so then, yes, it never happened yet.	Subsidies took too much time and are too uncertain		
Pink	That is a profession in itself and then it is mainly a lot of applications, writing, writing, writing and I think you have to do that only If you are just starting out, that is just, yes then you already have to have a subsidy advisor working who is writing for that and then you can fit in exactly, but in the early stages it's exactly what you say Of you want right People who feel okay, I get the boom, I'm in	Grant making/ subsidies ar too slow for startup		
Pink	You are a lot easier if you are an entrepreneur because of your mindset, you are a lot easier when it comes to a lower amount and so those are a bit of the target groups that are in it anyway.	Look for investors that can quickly make decisions and have a risk apetite		
Blue	But they also see that if you give a subsidy and the company makes it up after which they can't really grow further, that it won't be of any use to you yet.	Subsidies not used because inefficient use of resources		
Light green	With subsidies you spend a lot of time to comply with all kinds of different reports.	Acquiring subsidies is time consuming process		
Light green	We have sometimes put a question on some subsidies, but we have never, very deliberately, ever put a lot of effort into it ourselves Because we do not believe in subsidies at its core.	Not using subsidies out of principles		
Yellow	Why? Because then you know If I buy a piece of land and I plant bamboo there and I have credits, then that financing is just much lighter. And that's how you get one step further every time. We see the credits lauter as transition financing.	Started working with beneficiaries to solve resource constraints and scale impact and business		
Yellow	"But then we started, and we found out that basically everywhere where we are there was already bamboo and	Started working with beneficiaries to solve		

	bamboo had been around for many years and those people didn't really know what to do with it. We then thought, okay, we know what we're going to do with it. And then we connected them to our stories and that way we leapfrogged a few years ahead of our business plan."	resource constraints and scale impact and business	(Resource use optimization)	(Perceived triviality of combining logics)
Wine red	I don't want this organisation to be lots of people because it just becomes unpleasant and unmagical.	Owning project yourself is a hassle		
Navy blue	to develop certain nets or seaweed or to start operating farms We think that there are many parties that know a lot about seaweed or certain parts of that value chain and are very good at it, but that our added value can lie in connecting them all.	Shift away from initially boots on the ground because not their teams strongest skills / where they add most value		
Navy blue	we have had some more European projects, larger long-term projects, a little less recently, because that too, Yes, it takes quite a lot and it is often quite substantive.	Deliberate move away from bigger government contracts because time consuming and demanding		
Navy blue	However, it does give a lot more hassle, what you say, the more offshore you do, the more yes, there is just another TYPE of work involved	Owning project yourself is a hassle		
Purple	It is therefore easier, when you are such a small organization, to focus on one thing.	Easier to stick to foundation only as small team with time constraints		
Purple	And also yes a certain simplicity in your accounting	Blending for profit and non-profit activities adds complexity to accounting		
Wine red	But like a lot of it as well is because you think I'm going to be effective as an operator,	Convinced investors with personal management compentencies		
Wine red	So that's like a timeline of this company, which is really, it's not being very long and we've got quite far in quite a short period of time, in terms of like when, when, when this company actually started getting the money, getting first clients and things like that but what is hidden is a tale of 12 years experience in both finance and conservation	Business management skills needed to scale		
Wine red	And that gives a massive amount of security, I think to potential investors,	Investors trust is gained with proof of relevant experience		
Orange	I think it's been a strength, first of all our team so what we just achieved with few resources in the early stages.	Strong team enabled financing		
Orange	So I would almost say, just as importantly, how do you have a good business plan, how do you build a board of advisers, how do you link yourself with partners. Those are really enablers, I would say, or conditions on which you can raise funding at all	Business management skills needed to scale		

Orange	Most companies don't make it in the end, of course. Is it because they may not be able to raise funding, but simply that there are other factors that make them not make it.	Business management skills needed to scale	(Resource use optimization)	(Perceived triviality of combining logics)
Orange	Yes , then you don't benefit from that, so I think certainly for the BWL, that becomes so important that I think that actually the bit of funding will be fine when you have set up this other one properly.	Access to finance follows general SE management skills		
Light green	But what generally, what you want young entrepreneurs to do is actually that they have a good idea of yes, which investor do you need in which phase? So that differs and pay very close attention to the culture of an investor or that suits your company,	Business management skills needed to scale		
Yellow	You have to continuously think 2, 3 years ahead and know well how you make a balance sheet and what you want your balance sheet to look like before you go to a bank, and before you look for an equity partner.	Business management skills needed to scale		
Yellow	The right people in the company. For example, we have some important heads in our shareholder structure from the bamboo world worldwide. Who for the last 30 years ... So yes, a sounding name, so that is important and there is a lot of information, information and communication. Yes, for the rest you can only go step by step.	Experienced team enables attrackting funding		
Yellow	for us it's pretty clear from the start, because of course we come from that world of private equity and of finance and of business development, so that was pretty clear. It's really more bamboo related stuff with us.	Having financial experience makes financing easier		
Yellow	That's what much is forgotten. Many people and companies enthusiastically go into it with good ideas. What you encounter a lot in the first instance is startups that then get a subsidy or seeding capital somewhere and they do their R&D very enthusiastically, then everything is ready and then the money is gone and then it's okay, fun, and now?	Business management skills needed to scale		
Purple	Again, I think about the fact that it might have been confusing. In the sense that this makes our role a bit too double. At the end of the day, we're a party that gives donations to them and I suspect that, yes, investing is really just a whole different cup of tea, so to speak.	Participating in projects as a foundation creates confusion for clients	Preventing cannibalization of business	
Purple	And also yes a certain simplicity in your accounting	Adding commercial revenues adds complexity to accounting		
Purple	That role must also be clear within the relationship we have with landscapes, what we do and do not do.	The role of the SE should be cristal clear for clients		
Light blue	Yes, I think it is, but I've only been working here for a year, but I think it's become more independent, so first it was really that filipe and Marco had founded the Foundation and then we finally went into the BV	Entities are increasinlgy independent from each other		

Navy blue	But we're actually kind of in the transition right now with the question of hey, what kind of forms could that be good?	Foundation uncertain of how to attract commercial funds and stay mission aligned	(Preventing cannibalization of business activities)	(Perceived triviality of combining logics)
Red	Yeah, it's. I think it's the hardest say when you've been around for like 3 or 4 years and you just trying to figure out what exactly it is that you are trying to do.	Startups have identity issues after 3,4 yearss		
Navy blue	"We are a foundation and that is useful in some cases, but not always, because we sometimes get, Yes, that twist of yes okay, but are you not a non-profit anymore, because you also have those members and there are also large companies in there... Why do we have to give you money when you also have those companies in it?	Generating commercial revenues as non-profit worsens ability to attract donators		
Navy blue	On the other hand, there is also a risk of yes damage in that yes a few say Yes, but you also have that other source of funding, so Why do we have to help you	Generating commercial revenues as non-profit worsened ability to attract other customers		
Navy blue	Yes, I think that's what is it? Yes, what is your role in that?	Finding politically correct balance in incomestreams is a challenge		
Navy blue	And yes, and I just think for a sector organization that it is... You also have a function as a representative also for lobbying, you want to stand for the sector in the broadest sense and then it also helps to be non-profit and therefore more or less independent than with a commercial approach Then you will make different choices	Representing a sector requires independence from investors		
Navy blue	"And a fourth stream is still consultancy assignments, but that is very minimal. We do it very occasionally, but we do not want to compete with our own members, so only if it is an issue that cannot be addressed by one of the members, then we could take a step in it."	Generating commercial revenues as non-profit worsened ability to attract other customers		
Red	that's something that we've tried not to lose as we've grown	Active mission drift prevention		
Light blue	"That was also the time when there had to be more of an ethical separation between those two entities. So, you now notice that the foundation is increasingly becoming its own entity with its own team, character, etcetera."	Ethical consideration for splitting entities		
Navy blue	No, suppose it didn't happen or there was no one there, then maybe we would have stepped into that role a lot more or we would have gone to that role of seaweed farmer. But yes, as I say, it's not necessary. Very nice.	Serviceable to market, only where market lacks, they jump in		
Purple	Sometimes the customers of one service were, say, not very different from the other. That's kind of how I understood it and that's actually why it's kind of arm of the BV, so the well-deserved part of the organization, gradually scaled down again and we're now just completely a charity.	Addition of commercial revenues failed because split between for and not for profit activities too narrow		
Purple	If you really have a special side business, but with us it was more of we think the same work so not traveling and	Blending for profit and non-profit activities		

	regenerating, but regenerating and regenerating, and that one paid and the other not	creates confusion for client	(Preventing cannibalization of business activities)	(Perceived triviality of combining logics)
Purple	Again, I think about the fact that it might have been confusing. In the sense that this makes our role a bit too double. At the end of the day, we're a party that gives donations to them and I suspect that, yes, investing is really just a whole different cup of tea, so to speak.	Blending for profit and non-profit activities creates confusion for client		
Purple	I don't know all the details of this either, but how I was told is that the combination of being a not for profit and also consultancy that does make money didn't work well because it was just very unclear who doesn't have to pay them.	Keeping for- and non-profit stakeholder alignment is challenging		
Navy blue	Yes and then we are actually just between the interface of yes wanting to do something good with social impact, etcetera but just too far away so not directly.	Too far from direct impact on social mission		
Navy blue	I think every company would rather have more money than less, but is that? Yes, I don't think you necessarily have to do that commercially. I think that can still be done very well on a non-profit basis. But it is important to find the right shapes that fit well with that.	They view non-profits as equally as effective in scaling impact as commercial entities	Non-profits seen as effective	
Navy blue	And those are things that you can develop as a sector organization	Non profit can fund financing gaps		
Purple	In a way, you can make a contract out of that and expect a certain regularity from those donations. So for most donations, we try to have as long a contract as possible. They range from 3 to 10 years and therefore we have good prospects that we know of, well, for as long as they are still financially secure	Donor fatigue issues can be mitigated		
Purple	Yes, no, we really don't have those ambitions at all. Because the way it is now works well.	Satisfied with current non-profit income		
Navy blue	Well acquisition yes. That's something you have to be working on all the time	Acquiring funds is constant business activity		
Navy blue	It's something you just have to keep doing all the time, even those members	Acquiring fees from members is constant activity		
Navy blue	Well acquisition yes. That's something you have to be working on all the time	Acquiring funds is constant business activity		
Navy blue	And yes, and I just think for a sector organization that it is... You also have a function as a representative also for lobbying, you want to stand for the sector in the broadest sense and then it also helps to be non-profit and therefore more or less independent than with a commercial approach Then you will make different choices	Representing a sector requires independence from investors	Investors seek returns and thus are not mission aligned	
Navy blue	That does not suit a foundation and a sector organisation. With us it is much more about family funds, donations, subsidy projects, et cetera all those other form	Investors do not fit the foundations goals they think		

Navy blue	Investors are not interesting to us anyway, because we are yes, we are not commercial	Not being a commercial entity makes them think investors are never interested	(Investors seek returns and thus are not mission aligned)	(Perceived triviality of combining logics)
Navy blue	We are not commercial, we are not going to sell products, so yes, there is nothing to invest that comes back afterwards	Impact investors not seen as an option		
Blue	"[We used] Subsidies in the beginning, because at that time you are actually worth nothing and so you do not want to sell shares yet, because then you would sell your shares very cheaply, so subsidies are the best option then."	Rather not wanting to lose equity	Alternative financing not considered	
Blue	We didn't want to lose more than 50% anyway, that was his first offer, but we didn't want that because together we didn't want 1 person to be able to say what happens to the company	Rather not wanting to lose equity		
Blue	And a loan was not an issue at that stage because then you just had to have enough turnover to pay it back and we didn't have that, so equity is the best option.	Debt no option in early stage		
Blue	Because you don't really want to, but there may be no other option. We don't have any regrets, but we're going to buy it back now.	Unaware of alternative financing options		
Blue	So equity is the best option	Equity seen as best option when no debt available and not willing to give up a big part of the company		
Blue	We think we have given too much away because then we really lose a lot for the next round	Equity in hindsight not best option		
Blue	So we want to buy back some of those shares now and then do another round but not lose 50%.	Buy back of shares to not lose more equity		
Blue	yes in terms of decisions and stuff that's not convenient that we want to keep in our own hands	Losing too much equity seen as a hassle in decision making		
Blue	could also be, but that is also a waste of your money what you actually need to continue investing	Debt not interesting in early stage, because you cannot reinvest in growth		
Blue	Because then you have interest payments anyway, while that is a waste of your money.	Chosen hybrid finance because debt would mean losing capital that could be used in the business		
Blue	I really only envision a loan when you have a stable cash flow and we don't have that yet.	Debt not considered to fit young company		

Blue	Because you don't really want to, but there may be no other option. We don't have any regrets, but we're going to buy it back now.	Unaware of alternative financing options	(Alternative financing not considered)	(Perceived triviality of combining logics)
Light green	The phase we are in now and is, is that we have a very healthy equity, is even further in your proof of your business mode especially on the operations side and that means that you can now also look at debt financing. Because a bank, a debt financier, Yes, they prefer not to finance start-up losses, but they want to finance the future.	Debt is not useful for business model that require funding to survive		
Light green	The phase we are in now and is, is that we have a very healthy equity, is even further in your proof of your business mode especially on the operations side and that means that you can now also look at debt financing. Because a bank, a debt financier, Yes, they prefer not to finance start-up losses, but they want to finance the future.	Large amount of trackrecord needed to access debt capital		
Light green	Yes, then you have to be sure that it is possible and as long as you still achieve a negative and negative result and not something that ends up in assets, yes, then that certainty is not there, so then you are dependent on equity	If SE requires funding, equity is only option		
Light green	Yes, then you have to be sure that it is possible and as long as you still achieve a negative and negative result and not something that ends up in assets, yes, then that certainty is not there, so then you are dependent on equity	Not aware of hybrid finance solutions to startup finance problem		
Yellow	So you have a specific financing model and that is not easy for a bank. You want to borrow money, but you will only be able to repay within 7 years, so that is not an easy story.	Debt not considered to fit young company		
Yellow	Yes, because those are the logical steps and those are things we can do.	Choice for investment instruments made because they are 'logical'		
Yellow	And then you build assets and once you have built up assets, you can go to an equity partner	Goal of a company is to build enough assets so that equity investment is possible		
Red	we had a few conversations about venture debt but just didn't fit right with what we were trying to do.	Debt not considered to fit young company		
Red	” I actually asked it when I was interviewing [for the job] about bringing on an investor that's not focused on climate and the response was obviously that you can bring on an investor that's not focused on climate and they can still have a huge impact because they have a lot of money, which is very fair.”	Sustainable finance instruments not necessary		
Orange	And that is very capital-intensive, of course, but that is then financed, in this case by a bank, because in the end we just turn over the turnover in services	Acces to commercial bank funding because generating revenues		
Orange	So my thought was always of yes, I also know entrepreneurs who are in America, in Silicon Valley you know, they have an idea and then they talk to venture Capital and "hop then equity goes right away and stuff",	Rather not wanting to lose equity		

<table>
<tr><td></td><td>so I just said from day one; there is a foundation owner of our Holding BV.</td><td></td><td rowspan="4">(Alternative financing not considered)</td><td rowspan="4">(Perceived triviality of combining logics)</td></tr>
<tr><td>Orange</td><td>But in the end, if you can meet your obligations, I'd rather have a loan</td><td>Rather not wanting to lose equity</td></tr>
<tr><td>Orange</td><td>The moment we are in the situation in 5 and 6 years that a valuation is not 5, but for example 25 or 30 million and, as a foundation, we can raise a piece of financing where we then also buy back those shares, then you are suddenly in a very strong position</td><td>Buy-back structure allows for quick growth</td></tr>
<tr><td>Orange</td><td>That is all very expensive</td><td>In an asset heavy markets you risk losing a lot of equity quickly</td></tr>
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