



Maze: How to grow from a national impact investing intermediary towards a European player?

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Dissertation written under the supervision of Professor Filipe Santos,
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Abstract

This thesis explores the concept, role, and importance of impact investing intermediaries that form the backbone of the European impact investing market. This is illustrated by the company Maze, a Lisbon-based impact investing intermediary whose portfolio consists of three service lines: “MustardSeed:Maze” a €45 million early-stage social venture capital fund, “Maze X” an impact accelerator program, and “Maze Government Performance” an advisory service in the public sector. Thereby the thesis addresses how Maze can grow from its national towards the European market. To reveal this question in the scope of a teaching case, students will gain an in-depth understanding of the different services of an impact investing intermediary and its role within the impact investing ecosystem. Further, the case illustrates how Maze has contributed to the development of the Portuguese impact investing market and sheds light on the different motivations and challenges Maze is facing while gaining a stronger foothold in the European market. By solving the case under consideration of the theoretical foundation of impact investing intermediaries, and Maze’s current situation as well as future goals, students will develop different growth opportunities and propose strategic recommendations that will help Maze along its future growth trajectory.

Title: Maze: How to grow from a national impact intermediary towards a European player?

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Keywords: Impact Investing, Impact Investing Intermediaries, Impact Investing Ecosystem, European Impact Investing Market, Financial Intermediaries, Capacity-building Organizations, Product-Market Growth, Ansoff Matrix, Social Innovation

Resumo

Esta tese explora o conceito, papel e importância dos intermediários de investimento de impacto que constituem a espinha dorsal do mercado europeu de investimento de impacto. Isto é ilustrado pela empresa Maze, um intermediário de investimento de impacto com sede em Lisboa, cuja atividade é composta por três linhas de serviços: "MustardSeed:Maze" um fundo de capital de risco para o impacto de 45 milhões de euros, "Maze X" um programa acelerador de impacto, e "Maze Government Performance" um serviço de aconselhamento para governos. Assim, a tese aborda a forma como a Maze pode crescer do seu mercado nacional para o mercado europeu. Para revelar esta questão no âmbito de um caso de ensino, os estudantes ganharão uma compreensão profunda dos diferentes serviços de um intermediário de investimento de impacto e do seu papel dentro do ecossistema de investimento de impacto. Além disso, o caso ilustra como a Maze tem contribuído para o desenvolvimento do mercado português de investimento de impacto e elucida as diferentes motivações e desafios que a Maze enfrenta ao mesmo tempo que ganha uma posição mais forte no mercado europeu. Ao resolver o caso em consideração da base teórica dos intermediários de investimento de impacto, e da situação atual e dos objetivos futuros do Maze, os estudantes desenvolverão diferentes oportunidades de crescimento e proporão recomendações estratégicas que ajudarão a Maze ao longo da sua trajetória de crescimento futuro.

Título: Maze: Como crescer de um intermediário de impacto nacional para um ator europeu?

Author: Charly Jastram

Palavras-Chave: Investimento de Impacto, Intermediários de Investimento de Impacto, Ecossistema de Investimento de Impacto, Mercado de Investimento de Impacto, Intermediários Financeiros, Organizações de Criação de Capacidade, Crescimento de Produto-Mercado, Matriz de Ansoff, Inovação Social

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Abbreviations

CGF	Calouste Gulbenkian Foundation
CSR	Corporate Social Responsibility
EMPIS	Estrutura de Missão Portugal Inovação Social
EVPA	European Venture Philanthropy Association
GIIN	Global Impact Investing Network
II	Impact Investing
MSM	MustardSeed:Maze
RPA	Revenue Participation Agreements
SDGs	Social Development Goals
SIB	Social Impact Bond
SRI	Socially Responsible Investing

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Introduction

“Impact investing is our opportunity to be on the right side of history” – Darren Walker, President of the Ford Foundation, 2019.

In recent years the market for impact investing (II) has gained significant momentum (Global II Network, 2019). A broad variety of different actors have entered the market, forming an entrepreneurial II ecosystem (Höchstädter & Scheck, 2015; Roundy, 2019). The rise of social entrepreneurship, to address social and environmental challenges through innovative solutions, leads to a continuous increase of impact investments in the market (Glänzel & Scheuerle, 2016; Roundy, 2019). Today, the global market for II is estimated at \$715 billion (GIIN, 2019b). A crucial but less well-known role is played by II intermediaries who form the backbone of a sufficient II ecosystem (Moore et al., 2012; OECD, 2019). On the one hand, II intermediaries serve as financial intermediaries, connecting the supply and demand sides for capital. On the other hand, they act as capacity-building organizations, providing the necessary infrastructure, supporting the development of socially-oriented ventures and enterprises, offering various advisory services, and creating the conditions for an efficient II ecosystem (Mackevičiūtė, 2020; OECD, 2019).

Despite the rapid growth, the II market is still at the beginning of its development. The Global Impact Investment Network (GIIN) (2018) describes the current phase of the industry’s development as the *“marketplace building phase”*, which will unfold its potential in the next five - ten years to move into the *“capturing the value of the marketplace”* phase. Especially the different functionalities of II intermediaries will continue to play a significant role in further developing the II market (GIIN, 2018). However, the development of II ecosystems varies, for example in Europe, where the stages of development differ significantly from country to country (Gianoncelli et al., 2019). Thus, Maduro (2018) describes that approximately 48% of the national II markets in European countries are *“incipient markets”* and almost 37% are *“infant markets”*. In contrast, only 15% of the markets are considered as *“performing markets”*, including Portugal, Germany, and the UK. According to the OECD (2019), differences can be partially attributed to the lack of sufficient II intermediaries that understand the local market needs, create capacity for investment-ready social ventures, and funnel capital towards investment opportunities. As a result, the lack of impact investment intermediaries leads to an impediment of endogenous market growth of the II space (OECD, 2019). Thus, it is

advised that intermediaries, which already have a foothold in their domestic market by building a track record and brand, may move beyond their geographic borders to leverage and share their network, expertise, and knowledge to strengthen the further development of II ecosystems in other European countries (OECD, 2019; Roundy, 2019).

For this reason, this thesis examines the II intermediary “Maze”, found in Lisbon, Portugal, in 2013. As an II intermediary, Maze has significantly contributed to developing the Portuguese II ecosystem. Today, the company is centered around three business lines that cover the work of a financial as well as capacity-building intermediary tailored to serve the II market: “MustardSeed:Maze” (MSM) Venture Capital Fund, “Maze X” Accelerator, and “Maze Government Performance”. MSM invests in early-stage impact ventures with a fund of €45 million. Maze X acts as a capacity-building organization, supporting impact ventures in the early stages of their existence through an acceleration program. In contrast, Maze Government Performance partners with the Portuguese public sector to improve social services outcomes through innovation. Maze has maintained its position as the leading II intermediary and thought leader in Portugal in the last eight years. Today, the company faces the challenge of becoming financially independent from philanthropic support and the Portuguese market, whose growth potential for Maze is already exhausted due to its relatively small size. The opportunity to gain a stronger foothold in the European market by penetrating new markets, strengthening the financial position, and becoming less dependent on the domestic market, offers Maze the possibility to start a new chapter in the company’s growth trajectory.

Therefore, this thesis addresses the following research question in the context of a pedagogical teaching case approach: How to grow from the Portuguese towards the European market? To answer this research question, five supporting teaching questions are proposed in the scope of this work:

1. How did Maze develop and contribute to the development of the Portuguese II market?
2. What type of II intermediary can Maze be classified?
3. Why does Maze want to grow – motivations and challenges?
4. What growth opportunities can Maze consider approaching the European II market?
5. Where should Maze grow in Europe?

The structure of this work is as follows: The second chapter reviews existing literature to provide a theoretical foundation, the third will introduce the teaching case about Maze, and the

fourth will provide a teaching note. Finally, the limitations and future research of this master thesis will be discussed in a conclusion.

The research note is centered on the theory of II, the development of II markets, II intermediaries, and the challenges II intermediaries face in growing. Due to the novelty of II and the limited academic literature (Höchstädter & Scheck, 2015), the research note partially draws on and includes industry reports from leading organizations, e.g., EVPA, OECD, GIIN, European Commission, etc. Further, the Ansoff-Matrix is introduced as a strategic framework to identify growth opportunities.

The teaching case and the corresponding teaching note are designed for a class discussion among business or management students interested in the field of II, which are asked to analyze the different teaching questions to develop customized recommendations for Maze. Thereby, the aim is to familiarize students with the role, concept, and importance of impact intermediaries and how they contribute to the development of II ecosystems. Further, students will be put into the position of Maze's CEO to understand the motivations and challenges impact intermediaries face, drawing on the specific example of Maze, to realize the future growth trajectory. The focus is primarily on enabling students to acquire new and deepen prior knowledge in the area of II while putting less emphasis on learning objectives from the fields of strategic management or finance.

To develop the case study, I used several sources of data. I collected primary data through open-ended and semi-structured interviews with António Miguel, Founder and CEO as well as João Ferrao Dos Santos, Senior Principal at Maze. In addition, information was obtained from secondary data sources, including internal documents and publicly available sources such as reports, articles, and websites about Maze and its partners, to gain an external perspective on the organization. I was able to assess that the business model of Maze as an II intermediary with the three different service lines, the motivations, and managerial challenges correspond to the findings from the research note. Applying the Ansoff Matrix, the question of how to grow can be answered in this context. Thus, the complex situation of Maze has been processed to serve the format of a teaching case to fulfill defined learning objectives and can be provided to a professor and students in an appropriate extent.

1. Research Note

The forthcoming chapter provides the theoretical background on which the corresponding teaching case is based. Therefore, the research note first introduces the concept of II before elaborating on the concept, role, and importance of impact investment intermediaries within the impact investment ecosystem. Further, the chapter provides an overview of the current development stage of the European impact investment landscape, with a focus on the Portuguese market. In addition, an introduction of the Ansoff-Matrix is given for later application to the teaching case.

1.1 Impact Investing an Overview

In recent years, II has gained significant momentum, and a broad variety of different actors have entered the stage (GIIN, 2019b; Höchstädter & Scheck, 2015). Initially considered as hype, II has increasingly gained traction as both an investment strategy and an approach aimed to address the most pressing social and environmental challenges in line with the Social Development Goals (SDGs) 2030 (Gianoncelli et al., 2019; GIIN, 2019b).

Further, by taking into account the current state of literature, II is commonly defined and understood as “*investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return*” (Barber et al., 2021; Bugg-Levine & Emerson, 2011; GIIN, 2020; Hehenberger et al., 2019; Höchstädter & Scheck, 2015; OECD, 2015). Moreover, II aims to efficiently direct capital investments from traditional financial markets into the social and environmental space, which can be placed in both developing and emerging markets (GIIN, 2019b, 2019a; Hebb, 2013; Roundy, 2019). However, it is essential to emphasize that II is not an asset class but rather an investment approach that influences the decision of how investments are made across different asset classes (World Economic Forum, 2013). Further, due to definitional and terminological limitations in the literature, the term II is often incorrectly used synonymously with socially responsible investing (SRI) (Höchstädter & Scheck, 2015). Although the concepts are similar in their nature, SRI and II are not identical (Harji & Jackson, 2012; O’Donohoe et al., 2010). Moreover, Freireich and Fulton (2009) point out that SRI describes an umbrella term that sub-categorized II. In comparison to SRI, II proactively aims to create a positive impact in addition to financial risk and return, whereas SRI instead aims to minimize negative impact (Höchstädter & Scheck, 2015; O’Donohoe et al.,

2010). Hence, II goes beyond the approach of SRI, which follows the rationale of negative screening, excludes investments that do not meet specific ethical standards, e.g., ESG policies (Barnett & Salomon, 2003; Freireich & Fulton, 2009; Glänzel & Scheuerle, 2016; Höchstädter & Scheck, 2015). However, for the sake of clarification, this paper focuses only on the above-defined term of II.

According to Höchstädter et al. (2015) and Dacin et al. (2011), the term II can be considered part of a broader movement of more ethical and socially demanding consumerism, reflected in contemporary market economics. Although the II market is still in its infancy and will unfold its potential in the next five to ten years, the Global Impact Investing Network's (GIIN) most recent Annual Impact Investor Survey (2019b) estimates the current market size of assets that underly the II approach at \$715 billion in 2019. Thereby, II contributes to fulfilling the SDG targets defined by the United Nations to achieve by 2030, which require annual investments of \$5 to 7 trillion. However, according to estimates of the United Nations, an annual financing gap of \$2.5 trillion remains that can be counteracted and reduced through II (Gianoncelli et al., 2019; United Nations, 2019a).

Even though II is a global approach that transcends national borders, it can be observed that mainly developed countries have taken a leading position in the future development of the II market. Hence, the European Union and its member states can be considered essential in market volume and contribution to future growth (GIIN, 2019b; Maduro et al., 2018).

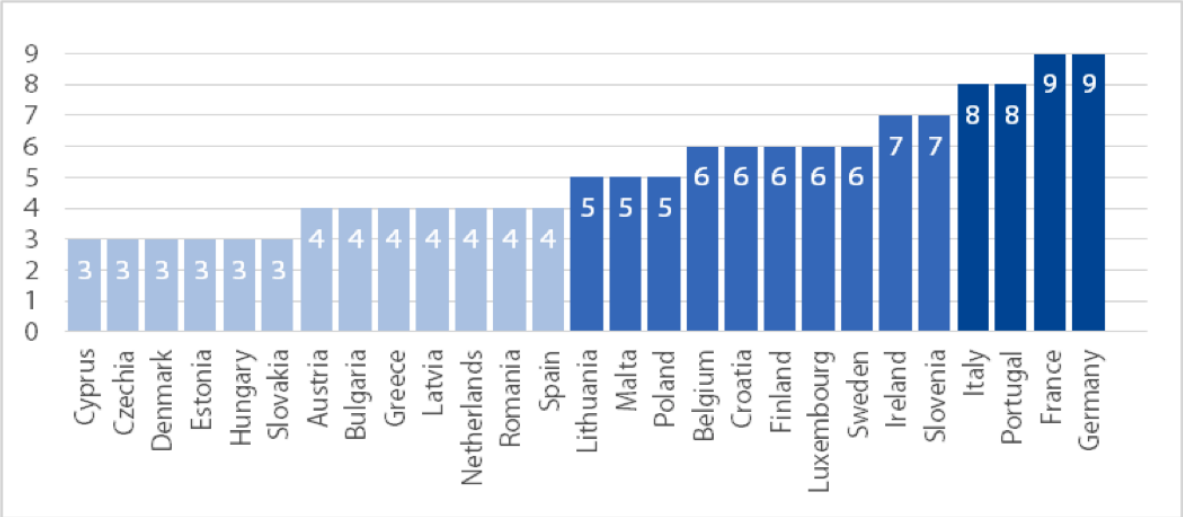
1.2 The European Impact Investing Market

In the past decade, II has notably gained a strong foothold in the European market (Hehenberger, 2020). At a European level, many initiatives and agreements have been established, mainly under the leadership of the European Commission, to attract and familiarize investors with social and sustainable investment strategies. II has been promoted as an essential part of achieving the EU's 2030 targets, aiming to reduce greenhouse emissions by 40% and fulfill associated SDGs. However, despite the increasing awareness and rising importance, II currently remains a peripheral investment strategy for most investors in Europe. Moreover, there are significant differences in the maturity of II markets, which varies from country to country, due to local history and socio-political structures (Gianoncelli et al., 2019; Impact Database, 2019). Thus, many central and eastern European countries are still in their infancy to

raise awareness and deploy capital in the II space. In contrast, countries such as Germany, France, and Portugal are among the leading II nations in Europe. Through an early establishment of local initiatives, these countries developed a flourishing II landscape that is about to scale, consisting of network communities, social impact funds, and foundations, backed by supporting organizations, such as Big Social Capital, Portuguese Social Investment Task Force, German National Initiative for II (Gianoncelli et al., 2019; Hehenberger, 2020).

Figure 1 - Maturity of Impact Investing Markets in Europe (Mackevičiūtė, 2020)

Segments	Nº EU Member States	% EU Member States	Colour
Performing market	4	15%	Dark Blue
Infant market	10	37%	Medium Blue
Incipient market	13	48%	Light Blue
	27	100%	



However, specific challenges prevent countries from participating in the fast-growing development of II, narrowed down to three key aspects. First, in many European countries, there is a lack of initiative, for example by the government, to take an active role in the development of an II ecosystem, e.g., defining a strategic framework of country-specific II objectives. Second, European and national actors have created funds and investment programs on the supply side. However, the necessary support to strengthen the demand side and II intermediaries is lacking. Third, grants remain essential, to be distributed by governments to support initiatives that address the development of national II markets (Mackevičiūtė, 2020).

Despite a heterogenous II landscape across Europe, the market for II accounts for approximately \$150 billion, according to the GIIN (2019b). However, the size of the II market is highly influenced by the definition of the term II that is used (Gianoncelli et al., 2019). Nevertheless,

putting the European market size in perspective, it becomes evident that Europe stays behind compared to the United States and Canada, that account for 58% of the global II market in comparison to 21% in Europe (GIIN, 2019b). According to Gianoncelli et al. (2019), the differences can partially be explained because II serves a different role in Europe. Compared to other geographic regions, most European countries offer a strong presence of public services to citizens, shrinking the market for private impact investments (Gianoncelli et al., 2019).

1.3 A Short Review of the Portuguese Impact Investing Market

In contrast to most other European members, Portugal can be considered a pioneer and one of the leading European countries in terms of social innovation and II (European Commission, 2020). The growth trajectory of the rapidly growing II market in Portugal started about a decade ago, as social entrepreneurship emerged as a prioritized topic on the Portuguese public agenda (Mackevičiūtė, 2020). By setting up the Portuguese Social Investment Taskforce in 2014, a joint consortium of different entities from the social, private, and public sector, mainly led by Calouste Gulbenkian Foundation (CGF), Maze (former Laboratório de Investimento Social), and Social Finance UK, Portugal has been one of the first European nations that addressed the development of an II market at a national level (GSG, 2018; Maze & Calouste Gulbenkian Foundation, 2018). In line with the national strategy for investment and social innovation, the taskforce has been divided into three operational units focusing on (1) market intelligence and knowledge, (2) building capacity and investment readiness, and (3) developing and testing new financing mechanisms for social innovation (Laboratório do Investimento Social, 2016).

Furthermore, by launching the public-initiative Portugal Inovação Social (EMPIS), Portugal has engaged in a seven-year partnership agreement with the European Commission, receiving €150 million from the European Structural and Investment Fund (ESIF) and European Social Fund (ESF), that both aim to enhance social and entrepreneurial projects (European Commission, 2020). Thereby, EMPIS, conceived as a catalyst, focused on two overarching objectives. First, allocating capital towards innovative and entrepreneurial projects in the social sector. Second, developing and promoting the necessary infrastructure and ecosystem for future sustainability by creating a social impact investment market (European Commission, 2020).

So far, Portugal's pioneering spirit is reflected in more than 320 social projects, whereby 281 entrepreneurial entities have been directly supported by approximately €34 million in capital

deployed until 2019. Further, Portugal has been an early innovator by adapting new financial mechanisms, including outcome-based Social Impact Bonds (SIBs), Revenue Participation Agreements (RPAs), and creating a national unit cost database “One Value”, etc. Launching the first social impact fund “MSM Social Entrepreneurship” represents a milestone. Overall, the country's small size enables fostering a strong interconnection among different stakeholders to test new innovative approaches that can be monitored, optimized, and replicated while serving as a blueprint for other nations (Gianoncelli et al., 2019).

From today's perspective, Portugal can be considered a benchmark country for II, offering social entrepreneurs privileged access to market infrastructure and financing opportunities, compared to other European states. Nevertheless, the Portuguese II ecosystem is still in progress to scale. Further promoting capacity-building programs, building market intelligence, and strengthening specialized intermediaries to deploy private capital into the social sector remains essentially in the future (GSG, 2018; Maze & Calouste Gulbenkian Foundation, 2018).

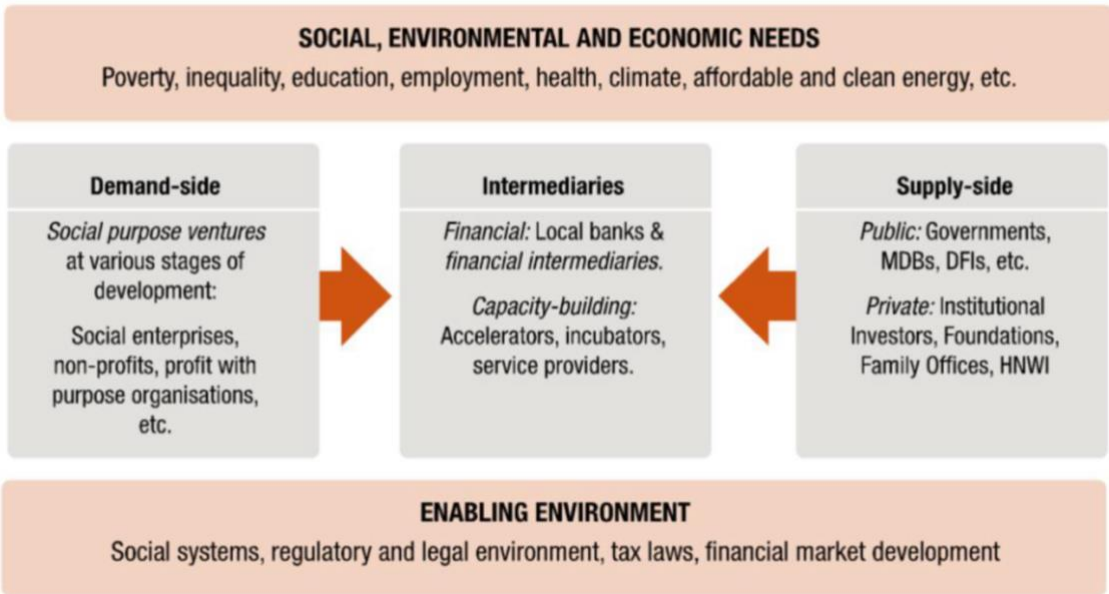
1.4 Impact Investing Intermediaries

In recent years, a growing variety of different specialized impact intermediaries have been established in the II market (Höchstädter & Scheck, 2015; Ormiston et al., 2015). Although intermediaries are a less well-known group, they play an essential role in the II ecosystem by connecting different actors (Moore et al., 2012; OECD, 2019). Thereby, II intermediaries can be considered as independent entities that provide support to the supply as well as to the demand side within the II ecosystem. Further, considering their function, a distinction can be made between two types of II intermediaries, namely financial intermediaries and capacity-building organizations (Mackevičiūtė, 2020; OECD, 2019; World Economic Forum, 2013).

Similar to traditional financial markets, II intermediaries are needed to connect different interest groups in the II ecosystem. On the supply side, II intermediaries provide services to impact-oriented capital providers, including public and private investors, such as foundations, philanthropists, pension funds, institutional investors, governmental institutions, etc. (OECD, 2019). The counterpart is represented by the demand side, consisting of social enterprises as “*investees*”, the key drivers whose mission is to address social and environmental challenges. These social enterprises can be both social purpose ventures as well as service-providing organizations operating in the for-profit or not-for-profit market. In order to start up, operate

and scale, social enterprises require financial as well as non-financial resources, depending on the current stage of development and the social mission of their business (Gianoncelli et al., 2020; OECD, 2019). In addition, impact intermediaries contribute to the overall development of the II ecosystem by improving the efficiency through creating and strengthening market infrastructure, pooling capital from different sources, reducing transaction-costs, providing advisory services, bridging culture and communicational barrier, and creating and enabling a more favorable environment (Glänzel & Scheuerle, 2016; Moore et al., 2012; OECD, 2019; Phillips & Johnson, 2019).

Figure 2 - Social Impact Investing Market Framework (OECD, 2015)



Whereas the World Economic Forum (2013) described the landscape of II intermediaries as very fragmented and characterized by small and specialized II intermediaries in 2013, in recent years, the first mainstream intermediaries, e.g., existing investment banks, wealth advisors, and venture capital funds, have been attracted into the II space (GIIN, 2018). However, in light of the relatively recent existence of the II market, there is comparatively little academic literature, which is reflected in the literature on II intermediaries (Höchstädter & Scheck, 2015). Thus, Phillips and Johnson (2019) point out that it has not been defined how and who may be called an II intermediary at all due to a lack of clarity.

1.4.1 Financial Intermediaries

As in traditional capital markets, the role of financial intermediaries is essential to the II space, as specific sector-focused skills and expertise are required (Mackevičiūtė, 2020). Moreover, financial intermediaries can be traditionally considered as the middlemen in the form of

investment banks, fund managers, advisers, and exchange platforms, etc., which provide help in terms of structuring and carrying out transactions (Mackevičiūtė, 2020; World Economic Forum, 2013). Furthermore, they enable the market by pooling and creating liquidity by raising funds, lowering transaction and information costs. Financial intermediaries provide different financial products and vehicles to intermediary capital between the parties, in the form of SIBs, social impact funds, RPAs, and other financial instruments (GIIN, 2018; OECD, 2019). In particular, social venture capital funds emerged as a frequently used instrument by investors who have entered the II ecosystem, aiming to enhance social innovation and impact (Gianoncelli et al., 2019). In doing so, venture capitalists provide equity or debt capital to social ventures and enterprises to support them in their seed-, early-, and future growth stage (EVPA, 2019). Especially, early-stage investments strongly contribute to the II ecosystem, as investors support social entrepreneurs by providing suitable access to capital while improving their ability to develop and test innovative products to deliver impact (Mackevičiūtė, 2020; The ImPact, 2016). Typically, early- and seed-stage investors invest between €100 thousand to €1.5 million depending on the venture. Thereby, investors target an investment period of 5-10 years, intending to obtain a financial return through the increase in value of the invested company as well as the sale of their equity stake to another investor (Gianoncelli et al., 2019; Maduro et al., 2018; The ImPact, 2016).

However, screening for the right social ventures seeking for funding and fulfilling the needed requirements remains challenging. Hence, social venture capital funds often work close with capacity-building organizations to ensure a sufficient pipeline and access to the demand side (Glänzel & Scheuerle, 2016).

1.4.2 Capacity-building Organizations

The second type of intermediary that is defined in the II ecosystem are capacity-building organizations, including accelerators, incubators, advisory firms, knowledge, and networking platforms (Mackevičiūtė, 2020; OECD, 2019). These types of organizations form the backbone of the II ecosystem and can be considered “pillars” of traditional entrepreneurial ecosystems as they contribute to the development of the necessary market infrastructure, with a strong focus on the demand side, particularly at the regional level (Goswami et al., 2018; Isenberg, 2011; Roundy, 2019).

However, building a robust II ecosystem requires more than the allocation of capital (GIIN, 2018). According to the EVPA (2019), in line with the European Commission (2020), a lack of an investment-ready pipeline of social enterprises has been identified, accounting for a significant limitation within the II landscape. Hence, capacity-building initiatives in form of incubators and accelerators are crucial, as they provide essential support to early-stage ventures by creating conditions to scale up to unfold their social mission (EVPA, 2019; GIIN, 2018; Rockefeller Foundation, 2015). Thereby, accelerators and incubators aim to ensure a sufficient pipeline of high-quality investment-ready opportunities, which downstream social venture capital funds or other impact investors have access to (OECD, 2019; Rockefeller Foundation, 2015; Roundy, 2019). Moreover, transaction costs can decrease by providing a good deal flow through promoting investment opportunities and matching capital providers with social ventures. At the same time, the increase of connections between actors results in a more robust ecosystem (Bugg-Levine & Emerson, 2011; Goswami et al., 2018; Roundy, 2019).

Furthermore, accelerators can be differentiated by their focus and business model. There are two approaches the focus of accelerators can be characterized, namely: Generalist and specialized accelerators. Whereby generalist programs try to attract any type of venture, specialized accelerators design their program based on predefined verticals, e.g., environmental pollution, technology, or impact (EVPA, 2019). Further, accelerators differ in terms of their underlying business model. Typically, foundations and corporations sponsor accelerator programs by providing grants, aiming to get access and incorporate impact innovation later in-house. In contrast, funding the business model by receiving equity stakes in impact ventures in exchange for support remains an often-used approach, focusing on increasing the value of the stake over time through active support. A third approach, on which many accelerator business models are based, is to engage with funds that sponsor the program and participating companies, aiming to secure the opportunity to place an investment at an early stage of the participating venture's life-cycle (EVPA, 2019).

To summarize, financial and capacity-building intermediaries hold an essential role in building, shaping, and enabling the necessary market infrastructure. Thereby, capacity-building intermediaries strengthen the ecosystem by supporting social ventures early on through incubator and accelerator programs. Further, financial intermediaries, e.g., social impact venture capitalists, bring together supply and demand for capital while creating financial instruments that support the overall ecosystem (Mackevičiūtė, 2020). However, despite the

great need for intermediaries, both types face significant challenges, which impedes the future development of the II market (EVPA, 2019; Mackevičiūtė, 2020).

1.5 Constraints and Challenges of Impact Investing Intermediaries

According to the World Economic Forum (2013) and the European Commission (2020), the successful development of an II ecosystem relies heavily on the active work and capacity of financial and capacity-building intermediaries. However, the lack of both types of II intermediaries continues to be the main constraint for the market development of II in most European countries (Scheck & Spiess-Knafl, 2020). Moreover, Mackevičiūtė (2020) and Scheck & Spiess-Knafl (2020) point out that II intermediaries operating in the European market face an additional lack of necessary capacity to manage their financial resources to provide comprehensive advisory and support services to the investees themselves. In addition, most intermediaries can be considered relatively small and newly established to the market, mainly due to the novelty of II. Therefore, impact intermediaries often face the challenge of lacking human resources, needed expertise, and sufficient financial funding, resulting in impediments to growing and thriving (Gianoncelli et al., 2019; Mackevičiūtė, 2020; OECD, 2019; Scheck & Spiess-Knafl, 2020).

For instance, due to the novelty of social entrepreneurship and the investment focus on early-stage enterprises, social impact funds often must manage many small investment tickets, resulting in high transaction costs and challenging the financial sustainability of the fund. In addition, many financial intermediaries will always depend on philanthropic support, as raising capital from institutional investors remains the main challenge due to misalignment to expectations. Whereas institutional investors often invest large amounts of money with the expectation of high returns over a short investment horizon, social impact funds primarily require patient capital over a long-term horizon without the pressure to generate financial returns. Furthermore, profits might be used to cross-finance non-financial support to the investees and social ventures, e.g., accelerator programs carried out by capacity-building intermediaries (Gianoncelli et al., 2019; Maduro et al., 2018).

Furthermore, many social enterprises that need support to become investment-ready do not have the required resources or willingness to pay for intermediary services (Scheck & Spiess-Knafl, 2020). However, from the financing perspective, many investees do not fulfill the requirements

to receive traditional investments. Hence, impact intermediaries are in charge of finding new and more blended funding mechanisms that are better tailored to the needs of social enterprises (Mackevičiūtė, 2020; OECD, 2019).

1.6 Growth Strategies for Market Expansion

Growth strategies are considered one of the most discussed topics in literature (Robins & Wiersema, 1995). Even though the question of how companies grow varies from company to company (Delmar et al., 2003), it is important to understand how companies plan their growth (Smallbone & Wyer, 2000). The Ansoff matrix serves as an analytical tool that can be used to identify future growth opportunities and strategic directions an organization can apply to expand and grow into new markets (Hussain et al., 2013). Further, the Ansoff-Matrix serves as a fundamental framework in business and strategic management education to simplify economic relationships and facilitate structured thinking (Hussain et al., 2013; Whalley, 2014). It points out two significant dimensions that enable firms to grow: products and markets (Ansoff, 1957). Furthermore, Ansoff (1957, 1968) differentiates between existing and new products and between existing and new markets, which are put in relation to each other under consideration of their potential and associated risk. Hence, four different growth strategies can be defined.

Figure 3 - The Ansoff-Matrix: Product/Market Growth (Ansoff, 1968)

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

According to Ansoff (1968), two of the four growth strategies serve to enter new geographies and markets. The “Market Development” strategy relates to firms that attempt to expand with existing products to new markets (Ansoff, 1968). Thereby, Ansoff (1957) and Watt et al. (1998) point out that firms can exploit the opportunity of market development by identifying and

entering new markets through modifying their existing products slightly, resulting in low risk and utilization of resources. Further, firms tend to focus on the existing competencies and philosophy of their products rather than on identifying completely unknown markets, resulting in a lower risk (Ansoff, 1968).

In contrast, “Diversification” possesses the greatest risk and use of resources as it requires both entering new markets and developing a new product. On the one hand, a firm needs to deploy resources to develop new products. On the other, entering new markets and geographies without building on existing experience and capabilities increases risk (Ansoff, 1968; Gurcaylilar-Yenidogan & Aksoy, 2018).

2. Case Study

2.1 Introduction of Maze

It's a warm summer evening in Lisbon, Portugal, when António Miguel, founder and managing director of Maze, comes together with his team, partners, and friends on the beautiful roof terrace of the Calouste Gulbenkian Foundation (CGF) to celebrate the 8th anniversary of Maze. So far, it's been a wonderful event to reflect on the incredible journey Maze has gone through over the past years – from a small exploratory lab towards the national thought leader and impact intermediary in the Portuguese impact investing (II) space. By always placing the core question of *"How can we improve the lives of people and the planet"* at the heart of Maze actions, the company today looks at three main products: An early-stage social II fund "MustardSeed:Maze", an impact accelerator program "Maze X", and an advisory service for the public sector "Maze Government Performance". However, taking a break and resting on the laurels and successes, not challenging the status quo, would not match the team's spirit. The evening was getting later when Luís de Melo Jerónimo, Director of the CGF, walked up to António on the sidelines of the event to congratulate him personally. *"You exceeded our expectations when you asked for philanthropic funding to build a Social Entrepreneurship Lab eight years ago. The foundation has been the greatest supporter of Maze from the beginning, and we will continue to be so in the future. I am convinced that it is just the beginning of an impactful journey that has started in Portugal; when will Maze take the next step entering the European stage?"* This question has been on António's and the team's minds for quite some time. Everyone agrees that this is the next big step in seizing the opportunities of the rapidly growing II market in Europe. However, the question remains how and where to start this new chapter.

António could be satisfied with the successful growth trajectory and pioneering role of Maze as an intermediary in the development of a Portuguese II ecosystem. However, he feels the tension and pressure on his shoulder since Maze is still a company in its early stages, facing a bottleneck of limited human resources and financial stability. Maze is slowly reaching the peak of the Portuguese market with its products, whereas the European market is experiencing strong momentum. This offers Maze not only the opportunity to scale and to achieve a stronger foothold in the European market, but also to increase its impact and improve its financial performance to become independent from philanthropic support.

2.2 From an exploratory Social Lab towards the Thought Leader in Portugal

Maze has been founded under the name “Laboratório de Investimento Social” by the Lisbon-based CGF and IES Social Business School in 2013 with the help of Social Finance UK. Ever since, the CGF has been the closest partner of Maze, which supported the development throughout the past eight years by financial and non-financial support. In the early years of the former “Social Lab”, Maze’s work has been mainly focused on experimenting and discovering innovative approaches and new financing mechanisms that may have the potential to improve the quality and outcome of the social sector in Portugal. Convinced by the vision that Portugal has the potential to become a leader in social innovation and II, Maze has been deeply engaged in joint work with the CGF and Social Finance UK to create the “Social Investment Taskforce” in 2015. In doing so, the Taskforce aimed to bring together different actors in the country, such as domestic corporations, universities, foundations, government institutions, to initiate the debate on developing an II ecosystem in Portugal. Consequently, and due to the great interest in II, the Taskforce was charged with the National Strategy for Investment and Social Innovation in Portugal. In an extensive report, “A blueprint for Portugal’s emerging social investment market”, the Taskforce defined a five-year action plan on how to develop a dynamic II ecosystem in Portugal. Thereby, the Taskforce proposed five key recommendations that still serve as the core elements of today’s II market: (1) Strengthening the demand side through capacity-building programs that support the development of social organizations and ventures; (2) Introducing financial instruments and mechanisms that match the needs of social ventures and social innovation; (3) Enhancing the social sector to focus more on an outcome-based culture to improve the quality of their services; (4) Promoting the development of market intelligence and infrastructure to have a shared understanding and access to data, approaches, metrics, and language being used; (5) Supporting the development of specialized intermediaries in the market that reach out to the supply side and provide access to capital.

Another milestone for Maze as a private entity and for Portugal was their support in the design and later launch of Portuguese Social Innovation Initiative through the Portugal Social Innovation Mission Structure (EMPIS), which received €150 million from the European Structural Funds to foster and strengthen the development of social investment in Portugal in 2015. However, facing the Portuguese II landscape in 2015, there have not been many organizations that could have been assigned to turn the strategic recommendations into tangible actions to build and to develop an impact investing market. By seeing the opportunity and

aiming to contribute to Maze's vision, the team began to work at the frontline to create products and services to serve the market needs.

“We were looking at the needs of the market. If we would have waited for the best to learn from, the progress of sampling and deciding to do things based on the experience of others and learning from others, our progress would have been much slower. We never ask ourselves whether we are good enough to do what we do. We took a market-facing view from day one, and so we just said: what does this market need, and can we start to try to do something in that space.”

Thereby, Maze moved from being an institutional think tank assessing the state of the market, trying to understand and build public recommendations that would gather consensus, towards an II intermediary delivering actual products and services. Further, due to the existing expertise and understanding of market needs from a very local perspective, Maze became an essential advisor for different types of interest groups. For instance, Maze started to support social entrepreneurs to develop their ventures while providing advice to the capital side by designing new financing instruments. The launch of the first social impact bond by the Portuguese government in 2015, which Maze designed, formed a cornerstone in the history of the Portuguese impact ecosystem. In the following years until today, four additional outcome-based contracts in the form of Social Impact Bonds (SIBs) have been launched to improve the quality of public services delivered in Portugal.

“We needed to build the market, and for social investment, we needed to build supply for social investment, we needed to build knowledge around the tools, we needed to support social entrepreneurs, we needed to do everything. Because no one else was going to really jump next to us, we just decided let's do these programs ourselves.”

Following their entrepreneurial spirit and aim to strengthen the II ecosystem, Maze continued to launch additional services in the II market. To boost the demand side of the ecosystem, Maze continued to strongly engage with social entrepreneurs, the actual key players that develop and test social innovations to tackle pressing issues in society. When the European Commission presented a proposal to support accelerator programs that focus on social innovation, Maze followed the next logical step. Thus, a successful application with the support of the European Commission led Maze to design their first accelerator program “Impact Generator” from scratch that launched in 2016.

As a trusted advisor by founders, Maze continued to advise early-stage ventures in raising capital from investors to support the growth trajectory. Thereby, the team gained first-hand experience of the challenges founders face while gaining a deep understanding of their key hypothesis, business model, and social impact mission. The frustrating part was to see social ventures fail to convince investors and face a general lack of risk-taking mentality and liquidity

in the Portuguese market. Thus, after sleepless nights and many brainstorming sessions, the dream of launching an own venture capital fund focused on early-stage impact ventures has solidified.

In addition to building direct products and services, Maze has been heavily involved in further impact projects that have contributed to build the Portuguese impact ecosystem. For instance, Maze developed “One Value”, a database that contains more than 80 cost metrics on social issues. Further, Maze has been actively researching and developing different tools and measurement approaches to evaluate social investments while being an active participator in various networks within Portugal and Europe.

Thus, a small social innovation lab has become Maze, an established II intermediary and thought leader in Portugal. At the same time, Portugal is now one of the leading II countries in Europe, which, due to its pioneering spirit and strategic approach, is considered a benchmark for other European nations to build a successful II ecosystem.

2.3 The Three Pillars of Maze

Today, Maze employs 15 team members whose work is centered around three complementary services the company has launched as verticals in the Portuguese impact investing market. As one of the first impact intermediaries in Europe, Maze invests in early-stage ventures through their €45 million venture capital fund “MustardSeed:Maze”. In addition, Maze helps ambitious entrepreneurs to scale their social ventures by participating in their “Maze X” acceleration program. And third, Maze serves as an advisor to governments who strive to increase the quality and performance of public social services through implementing new innovative instruments.

Figure 4 - The Three Service Lines of Maze (Maze, 2021)



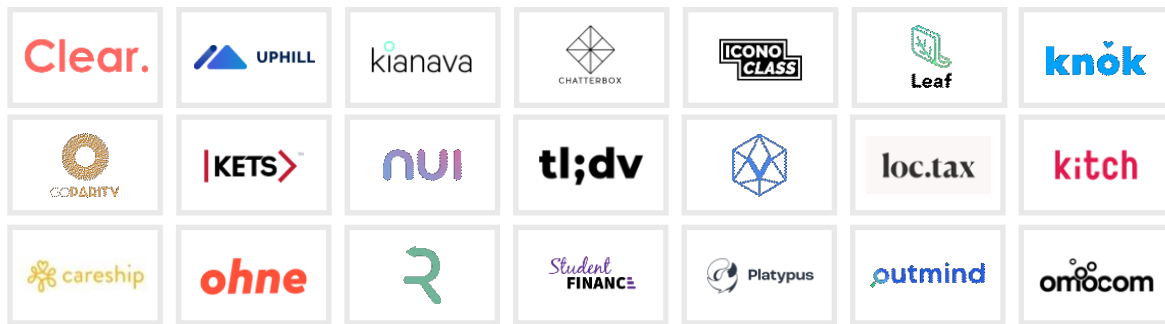
Figure 5 - The People behind Maze (Maze, 2021)



2.3.1 MustardSeed:Maze Venture Capital

After many years of supporting social ventures to access capital and providing strategic advice, the summer of 2017 was a turning point for Maze. By joining forces with Mustard Seed, a UK-based II firm, Maze took the initiative to launch one of the first impact venture capital funds in Europe. Today, the MSM fund represents, with €45 million under management, one of the leading social impact funds that focus on early-stage ventures in Europe. Thereby, the fund aims to invest between €50 thousand – €2 million in tech-enabled impact ventures during their pre-seed to series B funding rounds. Moreover, the MSM fund focuses on ventures that stand out due to their lock-step business model, meaning that they have the potential to create impact and financial return that are mutually reinforcing each other. To date, the fund has invested in more than 20 companies, whereby the investment decisions are subject to strict conditions such as the SDGs and the guidelines of the Impact Management Project to control for impact. Among Maze invested portfolio companies are, for example, “Careship”, a service delivery platform for high-quality senior home care, and “Kitch”, a technology company that helps restaurants to increase their efficiency while reducing food waste and carbon footprint.

Figure 6 - MSM Venture Capital Portfolio Companies (MustardSeed:Maze, 2021)



So far, Maze has successfully attracted investors such as CGF, Atlântico Europa, and different family offices to pool their capital and invest it in social ventures over a period of 10 years. In line with the traditional revenue model of a fund, Maze receives an annual 2% management fee and a 20% profit participation “carry” based on the funds’ size and total performance. However, to underline Maze’s dedication, the carry will only be paid to Maze if the fund achieves specific pre-defined impact targets. Hence, the MSM fund is driven by two goals that reinforce each other: money and impact.

2.3.2 Maze X Accelerator

Maze X is a Lisbon-based impact accelerator that targets early-stage ventures that aim to scale up. The three-month program, followed by six months of ongoing support, is designed for ambitious founders with a tested business model and innovative impact product or services and includes access to equity fee capital and advisory support to experiment and test new ideas for innovative impact. Since 2015, more than 60 impact ventures from different industries and nations have already participated in the program that is about to launch its eighth round.

Within the past years, the team has figured out that two significant aspects are essential for impact ventures to fast-track their growth: First, there is a mismatch between supply and demand for capital due to a lack of capacity for investment-ready ventures. Second, Maze has understood the great value of partnerships and collaboration between their corporate partners that support the acceleration program through funding and for impact ventures. On the one hand, impact ventures access the opportunity to test their products with commercial partners, which provides them with fast feedback loops to adjust and optimize their products. On the other hand, corporates can get access and internalize impact innovation that supports their long-term strategic value.

Despite the close collaboration between MustardSeed:Maze and Maze X, it is not guaranteed that the fund will subsequently invest in participating impact ventures. However, the accelerator program benefits from Maze’s team experience and investor perspective, to support ventures to become investment-ready.

Figure 7 - António Miguel leading an Accelerator Workshop at Maze X (Maze, 2021)



2.3.3 Maze Government Performance

Maze Government Performance is an advisory service that aims to collaborate with the public sector. Thereby, the advisory service focuses on driving innovation and improving the quality of social services delivered by introducing new ideas, social service design, and financial instruments that better allocate existing resources. For instance, Portugal has been the second country in Europe that took the risk and pioneering spirit to test the concept of a SIB, together with the help of Maze. For example, “Academia de Código Bootcamps” has been a SIB designed and launched by CodeForAll together with Maze in January 2017. Over the past three years, more than 150 unemployed young adults have been trained in a 14-week computer programming course, resulting in 105 (70%) of them being integrated into the labor market.

Figure 8 - Maze Social Impact Bonds Intermediate Reports (Maze, 2021)



So far, Maze Government Performance has set up five SIBs together with the Portuguese government and social organizations in the areas of education, children and youth at risk, as well as unemployment. However, there is still a long road ahead and that is why it is Maze's role to better inform the public sector to provide evidence that innovative instruments such as SIB, Shared Revenue Agreements, etc., can be internalized in the long run to improve the overall quality of public work. In addition, the service line is also committed to assisting the public sector in enabling the development of impact investing markets, such as the development of the Portuguese database "One Value", which contains 80 indicators for cost control of public investments in different social sectors.

2.4 Capturing a stronger Foothold in the European Market

Since the first day of Maze's foundation, the company has been strongly dependent on the financial and non-financial philanthropic support of the CGF. Over the past eight years, Maze has proven that the service and product portfolio is capable of generating its own revenues and profits. Nevertheless, financial resources have always been scarce and financial shortages could be bridged with the support of the CGF without raising money from external investors or banks.

To further grow while becoming an internationally recognized and influential impact investing intermediary, Maze's primary goal is to become financially stable and independent from philanthropic support in the short term. This is a necessary step for Maze to gain flexibility and to fund the development of new impactful products and services independently. Moreover, financial independence and stability will enable Maze to cross-finance new, impact projects,

regardless of their profitability, which are highly demanded by the impact investing ecosystem, e.g., the development of new impact metrics. Embracing the opportunity to scale the existing product and service portfolio by expanding more deeply into the rapidly growing European impact investing market, will offer great potential to improve the current and future financial situation through selling more projects. Further, focusing on the existing product portfolio allows Maze to replicate and build upon existing knowledge to enter new markets while saving resources and lowering risk.

Gaining a stronger foothold and increasing engagement in other European markets would allow Maze to improve its financial situation and impact provided through increased sales and economics of scale. Although the MSM fund and accelerator program are already focused on the pan-European market while operating out of Lisbon, it is important to expand deeper into other local II ecosystems across Europe to further increase capacity. Gaining a stronger foothold in local markets would enable Maze to become less dependent on the Portuguese market, given its relatively small size, capital, and market volume. Although certain activities are already taking place at the pan-European level, they are still mainly based in Portugal, e.g., the corporate sponsors that fund the Maze X accelerator program. Considering that the Portuguese impact investing market is fairly developed compared to other European countries, Maze's service portfolio is already able to serve domestic demand, which is becoming saturated, while maintaining a strong market position and national leadership.

At the same time, the European markets offer a larger addressable market for Maze as more countries begin to build their own national ecosystems for impact investing, being highly in demand for and relying on intermediary services. Due to a general lack of impact intermediaries, partially attributed to the novelty of impact investing, Maze could take the opportunity to approach new markets while encountering comparably low domestic competition. By forming a pan-European impact investing fund and opening the accelerator program for Europe-wide applications, Maze has already taken the first step to gain an initial foothold of the European market. However, improving the financial situation by stronger pushing existing products and services in the European market could also help Maze to strengthen its brand awareness and become the European thought leader and intermediary for II.

2.5 Facing the Challenges of Maze

The team has several challenges to master to realize Maze's growth objectives. Currently, Maze's portfolio of three services lines is able to generate sufficient revenues while being slightly profitable to fund the company's operations, without facing the need to downsize. However, in the past, Maze has not been able to generate sufficient cash reserves or surplus that could be used to invest in the development of new impactful services. Therefore, growth can only be generated by expanding and scaling the existing portfolio to strengthen the financial situation before sufficient funds will be available in the future to invest in the development of new services.

In addition, Maze's services differ in terms of their sales cycle, resource requirements, and profitability. At the moment, the fund is lacking profitability, despite generating constant revenues by receiving a 2% management fee based on the volume of the fund, which, however, are currently not sufficient to cover the costs incurred. However, an expected carry of approximately €1.8 million, which will be paid off in 5 years at the maturity of the fund and depending on the financial performance (total profits are currently estimated at 20% of the fund's size), could have a strong positive impact to boost Maze's profitability. Until then, to further grow the fund, it requires much effort to support both sides of the market: investors and ventures. Currently, there is more capital available than Maze can screen and approach new investment-ready companies in its network. In comparison, Maze X generates very fast sales cycles but requires a high level of human resources to prepare and support the participants. The program is profitable, but the Portuguese market is already saturated while it is becoming increasingly difficult to find new sponsors to finance the program in Portugal. Maze government performance represents the most profitable service line due to the nature of working with the public sector. It requires much expertise; In turn, the effort is compensated by high margins and long-term work relationships.

Table 1 - Maze Service Portfolio Financial Performance Overview

Service Lines	Revenue in €	Human Capacity in %	Profitability in %	Profitability in €
MSM	800k	40%	(-7.5%)	(-60k)
Maze X	300k	30%	10%	30k
Government Performance	400k	30%	20%	80k
Total	1.500k	100%	3.3%	50k

To grow into new countries with existing resources, Maze must ensure that new markets will meet certain conditions and are willing to pay appropriate margins for Maze's services. These could be, for example, countries that have a high Gross Domestic Product, a large population, and high social expenditure. However, the II market of these countries might be still in its early development, while facing a lack of needed actors that have already entered the II ecosystem. In doing so, it is essential to identify markets within Europe that are seeking II intermediary services while being attractive from an economic and strategic perspective.

Furthermore, Maze faces the operational challenge of not having sufficient human capital to deliver growth on a European level, as the team is already working at full capacity. At the same time, financial limitations do not allow Maze to hire new staff to relieve the team. This puts more pressure on the team to ensure that the next steps are well-considered and that markets are selected for future expansion which will have a positive long-term impact on Maze's financial situation and growth trajectory.

2.6 How to move forward

After sleepless nights and many brainstorming sessions, Antonio and the team of Maze have made a bold decision. To improve Maze's financial situation and create resources for new employees to drive the growth plans, Maze as a company will take an external loan from a bank. Maze's growth strategy is straightforward: The company wants to become financially independent from philanthropic support to organically finance and develop its service and product portfolio in the future. Financial growth will therefore be generated through a stronger engagement with the existing service portfolio in the European market, which represents a significant potential for Maze's future growth trajectory.

3. Teaching Note

3.1 Case Overview

The case focuses on Maze, a Lisbon-based II intermediary founded as a “Social Investment Lab” in 2011. However, over the past decade, Maze has developed to become Portugal’s leading II intermediary and thought leader in the field of II. Moreover, Maze has strongly contributed to the overall development of the Portuguese II ecosystem by providing different products and services to the market, including a social venture capital fund, a social impact accelerator, and advisory services to governments. Maze wants to improve its financial situation through growth to gain financial independence from philanthropic support. Thereby, Maze’s team faces the challenge of how to gain a stronger foothold in the European market by taking the opportunity to participate in the rapid growth of the overall impact investing market. Moreover, growing from the Portuguese towards the European market enables Maze to become less dependent on its domestic market while increasing its impact on society. To further build upon a successful growth trajectory to date, the CEO of Maze "Antonio Miguel" aims to understand better different growth opportunities based on the existing product and service portfolio and which markets Maze should approach to gain a stronger presence on a European level.

3.2 Learning Objectives

The case study is designed to highlight and discuss the growth trajectory, managerial challenges, and opportunities for an II intermediary to grow within the European market, using Maze and its product and service portfolio as an example. First, the role and business model of Maze as an II intermediary are analyzed, based on the theoretical concepts proposed in chapter 1. After the motivations and challenges of Maze to grow are elaborated and different growth opportunities will be developed and discussed. Additionally, different European countries that could serve Maze for growth may be assessed. Thereby, students play a leading role in their own learning and that of their peers. After having analyzed the case study, students should be able to:

- Understand the growth trajectory of Maze and the development of the Portuguese II market
- Reflect on the role, types, and importance of II intermediaries within the II ecosystem
- Identify the motivations and challenges of Maze to grow

- Develop growth opportunities and derive strategic recommendations for Maze under consideration of the Ansoff-Matrix
- Understand the development stages of different II markets across European countries and evaluate the market attractiveness for Maze

3.3 Assignment Questions

The case study is designed primarily for master's students taking a course in Impact Investing. The assignment questions aim to structure the class and encourage students to participate in a vivid class discussion. They require students to elaborate on existing and new theoretical knowledge while applying transfer knowledge, e.g., from courses on strategic management and entrepreneurship to the case study of Maze. Hence, the case study requires and fosters theoretical knowledge as well as practical understanding. The proposed assignment questions for the case study of Maze are:

1. How did Maze develop and contribute to the development of the Portuguese II market?
2. What type of II intermediary can Maze be classified?
3. Why does Maze want to grow – motivations and challenges?
4. What growth opportunities can Maze consider approaching the European II market?
5. Where should Maze grow in Europe?

3.4 Class Discussion

The following teaching case is developed for two consecutive 90-minute classes. Moreover, the case study requires that students have read the corresponding case beforehand and demonstrate prior knowledge to a certain extent. The first 90-minute lecture introduces the theoretical background of impact investing and impact investing intermediaries, including a joint discussion of assignment questions 1-3. As preparation for the following lecture, students are asked to form groups of 4-6 people to prepare questions 4 and 5 as a take-home assignment. In the second lecture, selected groups will present their results, which are discussed together. The proposed time allocation for the assignment questions is the following:

Table 2 - Proposed Structure for the Class Discussion

Lecture 1		
Block	Content	Times
1	Introduction	25 minutes
2	Assignment Questions 1: Growth Trajectory	15 minutes
3	Assignment Questions 2: Type and Business Model of Impact Investing Intermediaries	15 minutes
4	Assignment Questions 3: Motivations and Challenges to grow	20 minutes
5	Conclusion	15 minutes
Total		90 minutes

Take-Home Group Assignment		
Block	Content	Times
6	Assignment Questions 4: Growth Opportunities	45 minutes
7	Assignment Questions 5: Where to grow	45 minutes

Lecture 2		
Block	Content	Times
8	Introduction	5 minutes
9	Presentation and Discussion Assignment Questions 4	40 minutes
10	Presentation and Discussion Assignment Questions 5	40 minutes
11	Conclusion	5 minutes
Total		90 minutes

3.4.1 Introduction

At the beginning of the lecture, the professor should choose a balance of depth of introducing the theoretical background presented in section 1.1. to 1.5. depending on prior knowledge and previous courses in impact investing. It should be emphasized that impact intermediaries are essential to the development of an II ecosystem and form the backbone of the market as they mediate between market participants through various services and products.

Since Maze is an II intermediary from Portugal, the case highlights the Portuguese II market to illustrate the role, motivation and challenges, and future opportunities.

3.4.2 (1) How did Maze develop and contribute to the development of the Portuguese impact investing market?

The first question serves as an introduction for students to gain a general understanding of Maze, the company's growth trajectory, and its contribution to the development of the

Portuguese II ecosystem. Therefore, it is important that the professor actively elaborates the different milestones with the students in chronological order. Moreover, the professor can link the assignment to section 1.3., which describes the development and current stage of the Portuguese II market.

First and foremost, it is essential to highlight that Maze was founded as a think tank through philanthropic support of the CGF in joint work with Social Finance UK and the IES Social Business School in 2013. The initial goal was to test, discover, and enable social innovation to improve the social sector in Portugal. However, the work quickly became much more institutional, including the creation of the Social Impact Investment Taskforce. As part of the taskforce, Maze has primarily acted as a mediator to educate various interest groups about impact investing and convince them to build a national ecosystem for impact investing.

A major milestone has been the joint development of a blueprint for Portugal's government strategy to build an impact investing ecosystem and the successful application to receive €150 million funding from the European Commission to foster social innovation and investments. The professor needs to stress that these funds are also available to other member states of the European Union. However, Portugal was one of the first countries that proactively made use of them to develop a national social innovation ecosystem. In the process of creating the basic outlines of an ecosystem, Maze's work has transformed from being a conceptually institutional unit to being much more operational.

In 2015, Maze was one of the pioneers in the II space. They felt obligated to help build the ecosystem by advising and sharing expertise with the various players in the market, such as government, foundations, and social ventures. By becoming more engaged while gathering expertise and a deep understanding of market needs from a local perspective, Maze grew into the role of an impact intermediary, underpinned by the development of different products and services. It is important to emphasize that Maze has built the services from scratch without relying on the expertise or help of other players in the market.

Today, Maze faces an established service portfolio consisting of a social impact fund "MustardSeed:Maze", an accelerator "Maze X", and an advisory service to governments "Maze Government Performance", which are closely intertwined with each other. Moreover, Maze's

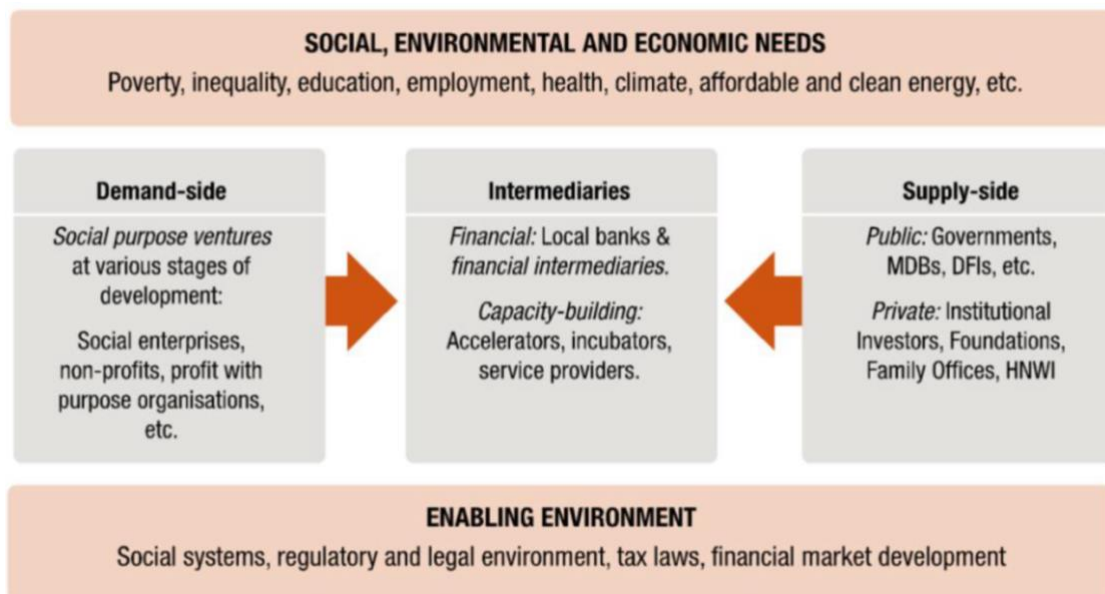
service portfolio and Maze’s work remain essential to the development of the Portuguese II ecosystem and has contributed significantly to its construction.

3.4.3 (2) What type of impact investing intermediary can Maze be classified?

In addition to the previous questions, the second assignment is designed to emphasize the concept and types of II intermediaries and their importance within the II ecosystem. Therefore, the professor should elaborate on the different types and functionalities carried out by II intermediaries, linking to the theoretical background in chapter 1.4.

Next, the professor should start to develop and illustrate the II market framework in joint work with students. It is important to present the framework in a simplified way to make it tangible. Starting with the supply side, the professor should point out the different types of capital providers, e.g., governments, foundations, family offices, etc., that are united in the idea of investing “for-impact”. In the following, the demand side should be analyzed, consisting of social ventures and enterprises at different development stages that can be for-profit and non-profit oriented. By raising the questions of how both sides interact, the concept of an II intermediary should be discussed.

Figure 9 - Social Impact Investing Market Framework (OECD, 2015)



Projecting the question on the case, students should be able to derive that Maze can be considered a financial intermediary and a capacity-building organization, which both are equally important for the II ecosystem as they provide services to both sides of the market.

In the role of a financial intermediary, Maze provides different financial instruments to allocate capital from the supply side towards the demand side. The core instrument is the MustardSeed:Maze fund that supports early-stage ventures by pooling capital from different investors. Maze receives equity stakes in the corresponding ventures in return for growth capital. In addition to an annual management fee depending on the size of the fund, Maze receives a performance fee “carry” depending on the fund's overall performance. The aim is to increase the value and the impact provided of the company's shares and sell them for added value after a certain investment period.

By serving the II ecosystem as a capacity-building intermediary, Maze operates an accelerator program Maze X that supports early-stage ventures to improve their business model, impact mission, as well as investment-readiness. Thereby, Maze X works in close collaboration with foundations and corporates that support the program through funding. In return, the sponsors get access to the social ventures and offer them the opportunity to test their innovation in a real business setting.

Further, the professor could raise the question, why are these services so important? For instance, the social venture capital fund and accelerator program supports early-stage ventures in the social space, which work at the forefront of delivering impact. Thereby, they provide access to capital, non-financial support, and other interest groups in the II ecosystem.

3.4.4 (3) Why does Maze want to grow?

To identify and address the specific reasons why Maze has the motivation to grow from the Portuguese towards the European market, the professor should initiate an open discussion with the students. Students should be encouraged to raise different arguments within the discussion, which they can derive from the provided case. The professor can gather and paraphrase the presented aspects and structure them according to the two suggested dimensions: firm-specific and country-specific factors:

Firm-specific factors

To understand why the company wants to grow towards the European market from Maze's perspective, it is important for students to recognize that Maze is a for-profit organization that aims to deliver impact through its work. As pointed out in the case, Maze faces the challenge

of lacking financial resources and human capability. Hence, the main reason why Maze wants to grow is the need to strengthen its financial situation to become independent from philanthropic support. Moreover, from the first day onwards, Maze has been dependent on the philanthropic funding of the CGF. However, Maze has proven to be able to generate revenues and cover its costs. Hence, growing their revenues and profits enables Maze to become more independent from philanthropic support and to gain the financial freedom to develop new impactful services and products to the market and to grow their team. Thereby, strengthening and further developing their existing portfolio by increasing their engagement in new markets allows Maze to scale and increase the capacity of their services. The professor should point out that addressing the European market offers a greater addressable market that Maze could approach with its existing portfolio. Since the development stage of the different II ecosystems across Europe varies from country to country, there are many countries that are currently in the market-building phase, demanding the service of II intermediaries. To highlight this aspect, the professor can link to section 1.2. Further, expanding into new markets can enable Maze to capture higher margins in countries that have a higher willingness to pay for the services. In addition, Maze wants to approach the European market to further increase and strengthen their already well-known brand and reputation. Thereby, the team of Maze aims to position themselves as one of the leading impact investing intermediaries, including their social impact fund and their accelerator program.

Country specific factors

According to the provided information in section 1.5., the size of the country in which the II intermediary is based has a significant impact on the role and dynamics played by the intermediary. The Portuguese II landscape can be considered as relatively advanced, based on market intelligence, infrastructure, involvement of government, etc. However, the Portuguese market is characterized by less capital and liquidity, making the market less attractive. Further, students should identify that the Portuguese market is relatively small compared to other countries. Due to the size of the Portuguese market, the Portuguese II ecosystem is becoming saturated, and Maze is already at the point of being able to serve national demand with the service portfolio. This means that the growth potential for Maze in the Portuguese market is almost exhausted. This poses a problem for Maze, as most of the business activities are taking place in the Portuguese market despite the already European-oriented MSM fund and accelerator program. For example, most of the Accelerator program's corporate sponsors are based in Portugal. Therefore, Maze wants to grow more into the European market to become

less dependent on the domestic market. By expanding into other European impact investing ecosystems with its existing service portfolio, Maze not only addresses a larger market but can also gain access to new customers, investment opportunities, etc. This, in turn, has a positive impact on strengthening Maze's financial position through increased capacity and sales of existing products.

Challenges

Currently, Maze is still dependent on philanthropic support. Although the service portfolio is slightly profitable, it does not generate enough profits to build cash reserves. In addition, the services have different sales cycles. Therefore, financial shortfalls still need to be bridged by the CGF, to the detriment of Maze's flexibility and independence. Further, the team is currently working at full capacity. Due to financial constraints, it was not possible to hire additional employees. The decision to take a bank loan will therefore help to improve the current situation in the short term. New employees will be hired to work on the realization of Maze's growth plans. Nevertheless, financial resources are limited, which is why growth into new markets must be realized with the existing service portfolio. The goal is to increase the scale and capacity of the existing services by entering less developed impact investing markets in other European countries. However, the challenge remains to identify countries that contribute to Maze's goals and improve the financial situation in the long term by paying higher margins for the services offered in the countries. Therefore, Maze must first identify opportunities based on its existing product and service portfolio that allow engaging deeper into the local impact investing ecosystems of other European countries.

3.4.5 (4) What growth opportunities can Maze consider approaching the European impact investing market?

For the take-home group assignment, students should focus on how to grow by developing different growth opportunities and strategic recommendations for Maze. Thereby, students will be challenged by a comprehensive question that requires transfer knowledge and reasoning from the field of strategic management to process the provided information stated in the case. To leverage knowledge as well as foster ideas and discussions, the professor should encourage students to form groups of 4-6 people.

At the end of the first class, the professor should provide guidance to simplify the scope of the assignment. Therefore, the professor should briefly introduce the Ansoff Matrix as presented in section 1.6. By applying the framework, students will be able to better structure their thoughts and decision-making process.

Next, the professor should recall that companies have two approaches to expand to new markets, according to Ansoff (1957, 1968). First, they can use existing products, which the company already uses in their existing markets, to expand into new markets (market development). Second, they can develop new products to approach new markets (diversification), which is associated with a higher level of risk and expenditure of resources.

By applying the theory to the case, students should understand that Maze will mainly focus on market development using existing products and services due to its current situation, which allows for limited financial and human resources. Moreover, Maze already has strong experience with the existing product portfolio, successfully tested and proved on the Portuguese market.

The following opportunities present simplified suggestions to how Maze could grow by pushing its existing services and products into new markets.

Raising the size of the fund by forming partnerships

According to the case, Maze faces a lack of investment-ready social ventures to invest in, while there is a surplus of capital to invest on the supply side. Due to the nature of a fund, there is no need to physically expand into new markets by opening new offices as activities can continue to be managed from Lisbon, Portugal. However, screening for investment opportunities requires much effort. Further, it is essential to have access to the local II ecosystem in getting in touch with the social entrepreneurs that represent the demand side. As many European markets are still in the early stages of building an II ecosystem, they often lack appropriate social venture capital funds that help to boost the demand side. Due to the limited human resources, Maze will not be able to address different markets independently but forming partnerships with local players that contribute to their national II ecosystem, e.g., national impact investment Taskforces, national network organizations, etc. will help to get access to the social venture to advise them on the one hand, and to secure the possibility of an investment opportunity on the other hand. These could even be established early-stage venture capital funds

that seek to benefit from Maze's knowledge in the field of II, e.g., implementing impact metrics, etc., and would possibly agree on co-invest in social ventures. This allows Maze to expand its deal pipeline across Europe, raise awareness of its brand, and support social entrepreneurs in less developed II markets with capital to generate ultimately impact. This pays into the long-term profitability of Maze, as the 2% management fee grows with the size of the fund and can be used to unlock cross-financing and implement new impact projects that benefit the social ventures. Further, the carry will be estimated on the size and total performance of the fund at its maturity and could offer a strong financial boost for Maze in the long run.

The European Maze X Accelerator Roadshow

Many European markets lack appropriate capacity-building intermediaries that build the local social venture landscape through incubator or accelerator programs to support social ventures to generate further traction. Further, these programs are partly funded through the European Social Innovation and Impact Fund (ESIIF) to foster social entrepreneurship and innovation on a national level. This offers Maze the opportunity to enter the countries which do not yet have accelerator programs tailored for social early-stage entrepreneurs. By launching an accelerator program that targets only social enterprises in a specific European country, Maze can approach new local sponsors, e.g., domestic corporations, foundations, etc., interested in and willing to fund the program in their own country. This will additionally allow Maze to be more independent from the Portuguese market and sponsors based in Portugal. In addition, Maze can build on existing expertise to support impact investing ecosystems in other European countries in building the demand-side while strengthening the deal pipeline for its own social venture capital fund by accessing social ventures in other countries and securing investment opportunities. For example, Maze could host several accelerator programs within a year in different countries' capitals, e.g., Madrid, Rome, Amsterdam, etc., which on the one hand have short sales cycles and on the other hand a good level of profitability. This leads to a reinforcing logic of getting access to local impact investing markets, expanding Maze's brand as an impact investing intermediary, becoming less independent from the Portuguese market, leveraging synergies to grow the fund, and improving the financial situation by scaling existing products and services.

Maze EU Government Performance

According to Maduro (2018), the impact investing market in 48% of European countries can be considered as "*incipient markets*", followed by 37% of the markets that are still in their

“infancy”. The role of the government in the different European markets plays an essential role in building a national impact investing market, as illustrated by the example of Portugal, which belongs to the 15% of European countries whose impact investing market is a *“performing market”*. Based on Maze's collaboration with different institutional organizations and the Portuguese government to initiate and build an impact investing market in Portugal, this knowledge can be used to advise governments of other countries, such as designing a blueprint strategy, setting up a national impact investing taskforce, applying for funding from the European Commission, etc. Above all, Maze can advise other countries how to implement social impact bonds in their own social public sector, after having successfully launched five social impact bonds in Portugal. Further, Maze Governance Performance has proved its relatively strong profitability compared to the other existing service lines. Approaching governments in economically strong countries that have high liquidity and willingness for the services of Maze could improve the current financial situation through high margins of long terms work relationships.

3.4.6 (5) Where should Maze grow in Europe?

In addition to the question of how Maze could grow with the existing product portfolio, the professor can propose the subsequent question of "where", i.e., in which markets Maze should grow. This assignment should also be completed as a part of the take-home group assignment, which results will be presented by selected groups in the next class.

Students are asked to conduct market research to analyze which markets might be attractive for Maze. By using the information provided in the appendix, students can benchmark different countries against each other. Further, students can derive the following information regarding European countries: Development stage of the national II market, gross domestic product, population, social expenditure of the state measured in percent of the GDP, etc. After a specific country has been selected, further research needs to be done on the corresponding national II ecosystem to understand and identify the active players in the form of governmental initiatives, investors, foundations, intermediaries (e.g., social venture capital funds, accelerator, incubator, networking organization), etc. Therefore, students can access the “Impact Database” by scanning the provided QR-code in the Appendix that provides information across the different II ecosystems of European countries.

To guide students in this process, the following report should be recommended:

- EVPA (2019): 15 Years of Impact - Taking Stock and Looking Ahead page, 17 - 34

For instance, a good answer would suggest that Maze should approach the Spanish market, an impact investing market that can be characterized to be in its infancy (4 out of 10 points). The Spanish market can be considered as one of the most substantial economic zones in Europe in terms of GDP, representing a considerable market potential with its 47.8 million inhabitants. Despite the current low development of the Spanish II market, it is increasingly gaining momentum. Thus, in 2018, the initiative "Foro Impacto" was created by three organizations Open Value Foundation, UnLtd Spain, and Eurocapital EAFI. The initiative unites more than 70 market actors in Spain. It has created the "Spanish National Advisory Board "for II, which has requested funding from the European Investment Fund (EFI), among others, to promote the development of an II market in the country. However, the country requires significant support, including assistance from intermediaries, to boost the II ecosystem. Thus, it requires, above all, the development of accelerators to support local social ventures and social impact funds to allocate capital to the social sector. In addition, the Spanish government is testing the idea of a social impact bond in the public sector but has yet to introduce one.

3.4.7 Conclusion

At the end of the two classes, the elaborated and discussed results should be put into perspective once again and how they are related to each other. It is important that the professor emphasizes that the strategic recommendations cannot be generalized, and the challenges and decisions are much more complex in reality. However, from Maze's point of view, market development can be used to enter new European countries and strengthen the financial situation through increased capacity and sales of the existing service portfolio.

4. Conclusion

The case study of Maze highlights the growth opportunities of an II intermediary to grow from the domestic towards the European market, under consideration of internal motivations and challenges the company faces. Further, by analyzing the case, the concept, role, and importance of impact intermediaries to develop a sufficient II ecosystem has been analyzed, by using Maze as a complex example.

The analysis revealed that due to limited financial and human resources Maze should focus on market development to use its existing product portfolio to enter new markets. Due to their profitability, short sales cycle, and strong experience from the Portuguese market, the business lines "Maze X" and "Maze Government Performance" can be used to strengthen the financial situation of Maze in the medium term. By forming partnerships with intermediaries within different European countries Maze can strengthen the access to investment-ready social ventures across Europe to raise the overall size of the fund, while stronger growing into the European II space. Growing the fund has an additional impact on the amount of the 2% annual management fee as well as on the performance bonus "carry". The fund can thereby contribute to the long-term strengthening of Maze's financial situation as well as to gain a stronger foothold in the European market. However, when growing into new European markets, Maze must pay particular attention to evaluating the current development stage of the local II ecosystem, as well as other strategic and economic factors, to identify the largest possible addressable market for the existing service portfolio.

This work contributes to facilitating understanding of the theoretical concept, role, importance, and challenges II intermediaries face. Further, the case results contribute to a richer understanding of the II ecosystem and different development stages illustrated by the Portuguese and European markets. By examining and answering the questions of how and where to grow, using Maze as an example, the different teaching objectives are introduced to the students. Since this is a case study primarily for an II class, it is recommended that strategic as well as financial issues be resolved in a partially simplified manner. Depending on the professor as well as the background knowledge of the students, it is important to find the right balance of difficulty to demand students not too much to ensure that defined teaching objectives are delivered in an efficient and effective way.

The case represents a simplified situation of the company for teaching purposes, limited in recommendations provided. Further, the implementation, as well as the efficiency of the recommendations, cannot be evaluated. Moreover, the results cannot be generalized, as this work represents a single case study, that has been tailored, analyzed, and focused on only one individual organization. Hence, further research could be conducted to access multiple II intermediaries to compare, contrast, and explore other growth opportunities to grow from a domestic into new markets. Further, it would be interesting to observe Maze using a longitudinal case study to determine whether the recommended growth opportunities successfully support the growth trajectory and overall goals of the company in the future.

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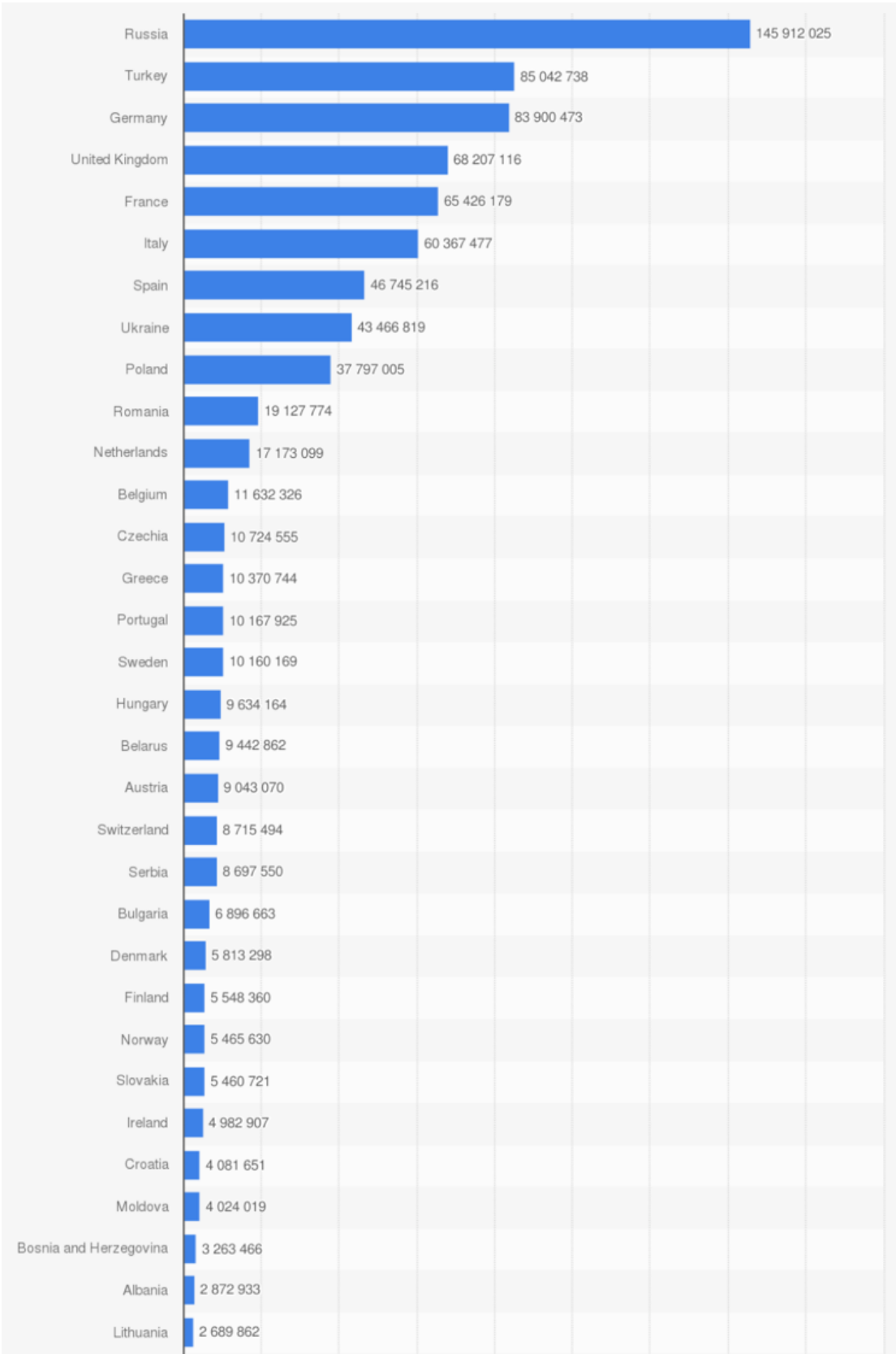
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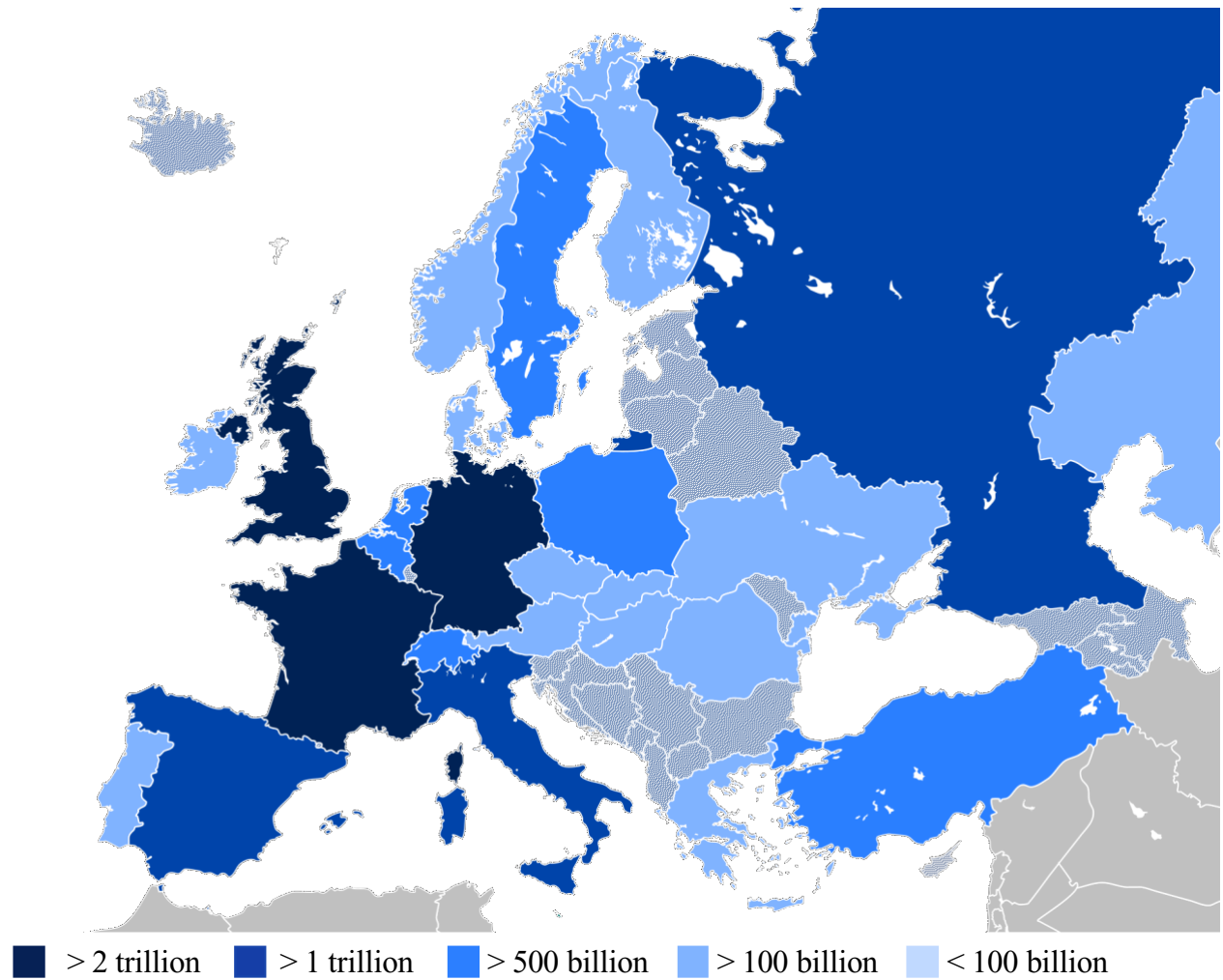
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Appendix

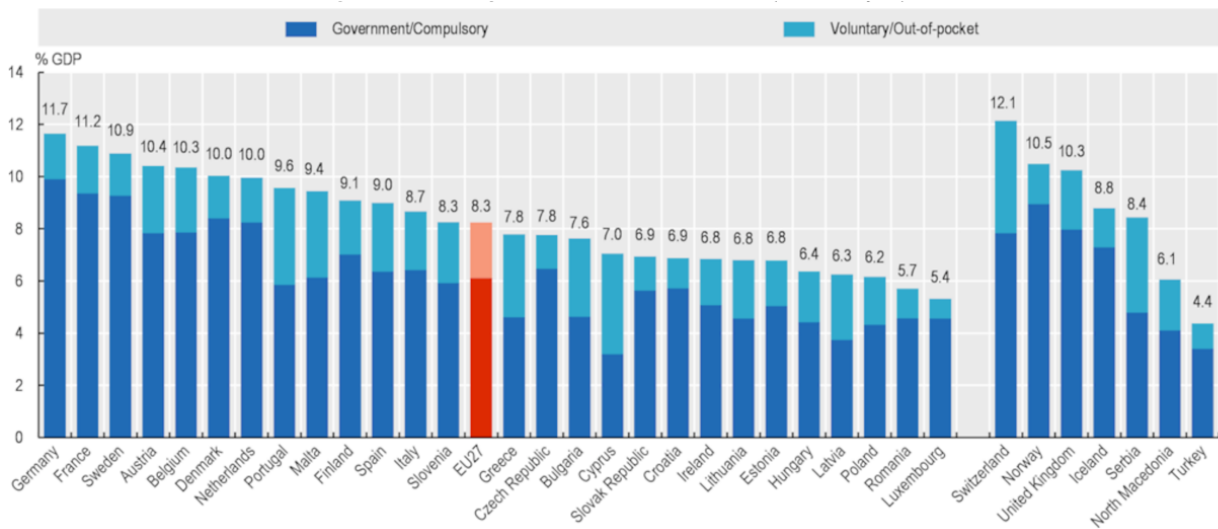
Appendix 1: Population of selected European Countries in 2020 (United Nations, 2019b)



Appendix 2: GDP of European Countries in 2020 (International Monetary Fund, 2021)

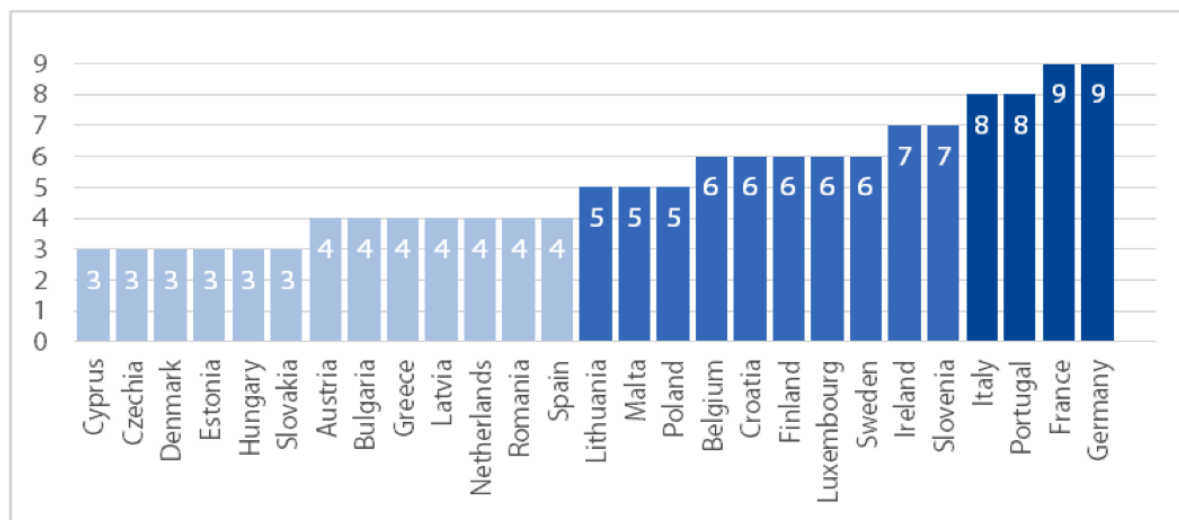


Appendix 3: Health Expenditure in % of GDP across Europe in 2020 (OECD & European Union, 2020)



Appendix 4: Maturity of Impact Investing Markets in Europe (Mackevičiūtė, 2020)

Segments	N° EU Member States	% EU Member States	Colour
Performing market	4	15%	Dark Blue
Infant market	10	37%	Medium Blue
Incipient market	13	48%	Light Blue
	27	100%	



Appendix 5: Impact Investing Market Maturity by European Countries (Maduro et al., 2018)

	Name	Market Infrastructure	Demand Side	Supply Side	Final Score
1	Austria	1	1	2	4
2	Belgium	1	2	3	6
3	Bulgaria	2	1	1	4
4	Croatia	3	2	1	6
5	Cyprus	1	1	1	3
6	Czech Republic	1	1	1	3
7	Denmark	1	1	1	3
8	Estonia	1	1	1	3
9	Finland	1	3	2	6
10	France	3	3	3	9
11	Germany	3	3	3	9
12	Greece	1	2	1	4
13	Hungary	1	1	1	3
14	Ireland	2	3	2	7
15	Italy	3	2	3	8
16	Latvia	2	1	1	4
17	Lithuania	2	2	1	5
18	Luxembourg	3	1	2	6
19	Malta	2	2	1	5
20	Netherlands	1	2	1	4
21	Poland	2	2	1	5
22	Portugal	3	3	2	8
23	Romania	2	1	1	4
24	Slovakia	1	1	1	3
25	Slovenia	3	2	2	7
26	Spain	1	1	2	4
27	Sweden	3	2	1	6

Appendix 6: Snapshot of the European Impact Incubator / Accelerator Landscape (Gianoncelli et al., 2020)

Element A	Austria	AMPLifica	Portugal
Investment ready	Austria	Bluebio	Portugal
Sociale Innovatie Fabriek - Social Innovation Factory	Belgium	MAZE-X	Portugal
The Clearing House	Belgium	The FoodHub LX	Portugal
impact accelerator	Denmark	Climate-KIC	Several locations
Finnish Innovation Fund Sitra	Finland	Impact Hub	Several locations
Fondation La France s'engage	France	Le Village by CA	Several locations
INCOPLEX 93	France	makesense	Several locations
Inter-Made	France	Mars Catalyst	Several locations
Mouves (Mouvement des entrepreneurs sociaux)	France	Rockstart	Several locations
Planetic Group	France	Game Changers	Spain
Scale up	France	Impulso	Spain
F-Lane	Germany	Social Nest Foundation	Spain
Social Impact Start	Germany	Startup Ole	Spain
HIGGS (Higher Incubator Giving Growth & Sustainability)	Greece	UEIA	Spain
Social Entrepreneurs Ireland	Ireland	Norrskan House	Sweden
BASIS Vinschgau Venosta	Italy	Reach for Change	Sweden
FabriQ	Italy	SE Outreach Accelerator	Sweden
FIT4SE	Italy	Incitare	Switzerland
Fondazione Social Venture GDA (Get it!)	Italy	Kickstart	Switzerland
Future food ecosystem	Italy	SEIF	Switzerland
Make a Cube	Italy	Waterpreneurs	Switzerland
SocialFare Centre for Social Innovation	Italy	BidNetwork	The Netherlands
CEED Macedonia	Macedonia	Forward Incubator	The Netherlands
Social Impact Lab	Macedonia	Scale up nation	The Netherlands
Katapult Accelerator	Norway	Social Enterprise NL	The Netherlands
SoCentral	Norway	THNK	The Netherlands
Tøyen Unlimited	Norway	Vijana Reloaded	The Netherlands
		SILab Ukraine	Ukraine
		Bethnal Green Ventures	United Kingdom
		CAN	United Kingdom
		Mainstreet Partners	United Kingdom
		The Young Foundation	United Kingdom
		UnLtd	United Kingdom

Appendix 7: Navigating through the European Impact Investing Landscape (Impact Database, 2021)

The screenshot shows the Impact Database website interface. At the top, there is a navigation bar with links for HOME, EXPLORE, READ, EVENTS, FEEDBACK, and a JOIN / LOGIN button. Below the navigation bar is a map of Europe with various colored markers (yellow, green, blue, red) and numbers (e.g., 15, 2, 4, 3, 5, 24, 12, 7, 5, 2, 4, 5, 2, 3, 6, 3, 9, 4) indicating data points across different European countries. To the right of the map is a filter panel with the following options: Country, Category, Network, and Sustainable Development Goals (SDG). Below the filter panel is a call-to-action box that says "SCAN ME TO ACCESS THE IMPACT DATABASE" with a QR code.

Appendix 8: Public Social Spending in % of GDP in European Countries (OECD, 2021)

Country	Public social spending, % of GDP, 2019
France	31
Belgium	28.9
Italy	28.2
Austria	26.9
Germany	25.9
Sweden	25.5
Norway	25.3
Spain	24.7
Greece	24
Portugal	22.6
Poland	21.3
United Kingdom	20.6
Czech Republic	19.2
Hungary	18.1
Estonia	17.7
Iceland	17.4
Lithuania	16.7
Switzerland	16.7*
Netherlands	16.1
Ireland	13.4