



Sustainability: the requirement for funding?

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"Companies that are breaking the mould are moving beyond corporate social responsibility to social innovation. These companies are the vanguard of the new paradigm. They view community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve longstanding business problems."

Rosabeth Moss Kanter, Harvard Business Review.

Abstract

Title: Sustainability: the requirement for funding?

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New businesses have been increasingly pressured to deal with social and environmental issues on its own or while performing their economic activities. Therefore, socially-responsible businesses should be considered more appealing for investors. Academically, the ability of businesses to address social and/or environmental challenges while being profitable is still under debate. Thus, studying the challenges that sustainable new businesses face in attracting funding from investors is essential.

The present dissertation focuses on understanding the impact of communicating a sustainability claim in the decision of investors. An inductive, multiple-case study was conducted using a sample of six socially-responsible business cases, selected from Climate-KIC acceleration program, through semi-structured interviews. Different types of hybrid businesses were identified according to their environmental, social and economic value creation and objectives, clarifying their value proposition either at the initial moment and when pitching to investors. Our findings suggest that the initial value proposition is defined according to founders' vision (business objectives) and customers' interests. However, when attracting funds, entrepreneurs need to be aware of different investor' types: the most common, traditional investors, look for high economic return; and socially-responsible investors (rare) additionally require a sustainability claim. Therefore, in order to receive funds, entrepreneurs adapt their initial value proposition, always making a strong communication of their economic aspect. Communicating a sustainability claim is only required when pitching to socially-responsible investors. This study contributes to understand which business aspects (sustainable vs non-sustainable) investors most value, assisting entrepreneurs at acknowledging which ones must be highlighted when pitching.

Keywords: CSR; Entrepreneurship; Hybrids; Investors; New ventures; Sustainability; Value proposition.

Sumário

Título: Sustentabilidade: requisito para obter financiamento?

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As novas empresas têm sido cada vez mais pressionadas a lidar com problemas sociais e ambientais por si só, ou em simultâneo com atividades económicas. Assim, as empresas socialmente responsáveis devem ser consideradas atrativas para investidores. Academicamente, a capacidade das empresas para lidar com desafios sociais e/ou ambientais mantendo-se lucrativas ainda é debatida. Portanto, é essencial estudar os desafios que novas empresas sustentáveis enfrentam para atrair investidores.

A presente dissertação pretende perceber o impacto de comunicar o aspeto da sustentabilidade na decisão dos investidores. Foi realizado um estudo de casos-múltiplos indutivo, através de entrevistas semiestruturadas a seis empresas socialmente responsáveis, pertencentes ao programa de aceleração *Climate-KIC*. Foram identificados tipos diferentes de empresas híbridas, consoante os seus objetivos e criação de valor social, ambiental e económico, definindo assim as suas propostas de valor inicial e para investidores. Os resultados sugerem que a proposta de valor é inicialmente definida considerando a visão dos fundadores (objetivos do negócio) e os interesses dos consumidores. No entanto, para atrair investimento, os empreendedores necessitam de reconhecer tipos diferentes de investidores: os mais comuns, tradicionais, pretendendo apenas retorno económico; e os socialmente responsáveis (escassos), procurando adicionalmente o aspeto da sustentabilidade. Portanto, para atrair financiamento, os empreendedores adaptam a proposta de valor inicial, focando-se sempre no aspeto económico. Comunicar o aspeto da sustentabilidade apenas é necessário para atrair investidores socialmente responsáveis. Este estudo contribui para compreender que aspetos (sustentáveis ou não) os investidores mais valorizam, ajudando os empreendedores a perceber quais devem ser focados nos seus *itches*.

Palavras-chave: CSR; Empreendedorismo; Empresas híbridas; Investidores; Novas empresas; Proposta de valor; Sustentabilidade.

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Chapter 1: Introduction

Migration, poverty, gender inequality, climate change, ageing are some of the major problems of our society as a result of economic activity (United Nations, n.d.). Entrepreneurship has increasingly become an important tool to deal with social and environmental hazards, with entrepreneurs (e.g. Elon Musk, Tesla or Yvon Chouinard, Patagonia) strongly contributing to the development of sustainable products and services (Bocken, 2015; Hall, Daneke, & Lenox, 2010). In Europe in 2016, approximately one in four new businesses were social enterprises, reaching a workforce of over 11 million people (6% of European employees) (European Union, 2016). A Deloitte survey to business leaders shows that the majority believes social enterprises will become even more important in the near future (Deloitte, 2019).

The sustainable development concept was introduced in 1987. In its essence, development is achieved when current consumers' needs are satisfied while preserving the resources for the upcoming generations, using current resources efficiently and doing investments consciously (World Commission on Environment and Development, 1987). Organizations are becoming increasingly conditioned by a rising number of institutions, the socially constructed system of norms, values, and beliefs that mould organizations towards legitimacy (Berthod, 2016; Suchman, 1995). All members of the society (stakeholders) prefer products and services produced by organizations that have a positive effect on the society, turning the actions of such organizations appropriate to norms, values and beliefs of modern societies (Campbell, 2007; Luo & Bhattacharya, 2006; Suchman, 1995). According to the stakeholder and institutional theories, businesses should act and sell goods that comply with all stakeholders' expectations and social norms.

The challenge for several managers is to balance the dual objective of addressing social and/or environmental issues while maximizing profits (Certo & Miller, 2008; McWilliams & Siegel, 2000, 2001). Currently, there is no consensus on how to balance the two logics. Some authors argue that socially-responsible behaviours imply costs with no return (Bocken, 2015; Huhtala, 2003). This is also noted by Brieger and De Clercq, arguing that businesses with a dual objective struggle to get funding (Brieger & De Clercq, 2019). This challenge is related to the investor's reluctance in accepting the dual objective of these businesses. Despite the enormous pressure on businesses regarding environmental and social issues, venture capitalists are not philanthropists. Investors choose their portfolio of investment according to

the highest expected return. Investors also seek short-term returns, another factor for disregarding such ventures (Bocken, 2015).

Such reluctance has implications for entrepreneurs who seek to develop sustainable products and services (Bocken, 2015; Hall et al., 2010). Investing in these businesses with a social and/or environmental impact is required, and venture capital is fundamental to encourage the development of such sustainable businesses (Bocken, 2015).

Thus, new ventures must be appealing for investors in order to get funding. During the pitches phase, entrepreneurs must tell a credible and reliable story, consistent with investors' beliefs. Accordingly, legitimacy-building stories are used with the purpose of attracting investment (Larty & Hamilton, 2011; O'Connor, 2004; Suchman, 1995; Werven, Bouwmeester, & Cornelissen, 2019). We aim to understand the challenges and implications of pitching a sustainable business in order to receive funding from investors (Paetzold & Busch, 2014). Communicating a sustainability (environmental and/or social) claim may have a positive effect on investors' decision, which is highly important for entrepreneurs willing to create a start-up and need to pitch their ideas to investors. Reliable stories are needed to convince investors to allocate their money to a venture. For that reason, it is required to understand which aspects investors seek in entrepreneurs' pitches, investigating whether having a sustainability claim is the key point to obtain funding. Therefore, the main focus of this dissertation is *to understand the impact of a sustainability claim in investors' decision*. The research questions that this dissertation aims to answer are the following:

Research Question 1: Why do investors invest?

Research Question 2: How does the communication of a sustainability claim influence investors' decision?

Research Question 3: Why do entrepreneurs choose to communicate a sustainability claim when pitching to investors?

A better understanding of these questions will assist entrepreneurs at acknowledging the business aspects (sustainable vs non-sustainable) that investors most value. Thus, entrepreneurs' pitches should be focused on such aspects, telling a story that is consistent with investors' beliefs. This positively contributes for the purpose of receiving funding.

A multiple-case study was therefore conducted using a selected sample of socially-responsible businesses, from the Climate-KIC acceleration program, through semi-structured interviews and implementing a within-case and cross-case analysis (Eisenhardt, 1989; Miles & Huberman, 1994). Finally, theory-building was iteratively developed from each case, and associated to the extant literature (Eisenhardt, 1989).

The present dissertation has the following structure: chapter 2 describes the extant literature regarding socially-responsible businesses, highlighting the importance of telling a good story to investors. Chapter 3 presents the methodology used to develop relevant theory. Then, chapter 4 delineates empirical findings, while the developed theory is associated to the literature in chapter 5. Finally, the main conclusions are presented in chapter 6, highlighting limitations and possible suggestions for further research.

Chapter 2: Literature Review

2.1 Institutional Theory

According to the institutional theory, organizations must consider institutions at the centre of any decision to be made. Thus, organizations are the representation of such institutions, which allows them to gain legitimacy (Berthod, 2016). Legitimacy is usually defined as “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (Suchman, 1995). Accordingly, organizations are conditioned by a large number of institutions, which are the socially constructed system of norms, values, and beliefs that mould organizations towards legitimacy (Berthod, 2016; Suchman, 1995).

An example that illustrates the importance of legitimacy is the acquisition of monetary resources by new ventures (Zimmerman & Zeitz, 2002). In order to succeed, new ventures need to build legitimacy, meaning that they have to be considered legitimate by investors to receive economic resources. Thus, according to the institutional theory, investors have to consider that the actions of new ventures are appropriate according to certain beliefs, norms and values (Berthod, 2016; Garud, Schildt, & Lant, 2014; Lounsbury & Glynn, 2001; Suchman, 1995; Verleye, Perks, Gruber, & Voets, 2019; Zimmerman & Zeitz, 2002). New ventures do not own any type of documents, such as track records, that prove their legitimacy (Lounsbury & Glynn, 2001; Martens, Jennings, & Jennings, 2007; Werven et al., 2019; Zimmerman & Zeitz, 2002). Thus, these ventures have to show, for example by telling stories, that their actions are consistent with the social rules (Suchman, 1995; Zimmerman & Zeitz, 2002).

Not only investors, but all stakeholders need to consider that the actions of the businesses are appropriate, i.e., legitimate. Consistent with several authors, in order to acquire the necessary resources from all stakeholders (for instance, sales and knowledge), being considered legitimate by such stakeholders is crucial (Garud et al., 2014; Zimmerman & Zeitz, 2002).

According to both stakeholder and institutional theories, businesses should act and sell goods that comply with all stakeholders' expectations and that are considered appropriate to social norms, respectively. Stakeholders not only have an economic dimension, but also a social and/or environmental dimension, as they are all members of the society that is affected by the actions of businesses. Thus, stakeholders may prefer products and services produced by organizations that include Corporate Social Responsibility (CSR) activities in their practices,

i.e., that positively impact the society and/or the environment. This way, due to the huge pressure on businesses for tackling social and/or environmental issues, CSR activities may be considered an important component of businesses, making their actions appropriate to certain norms of the social structure that conditions organizations – institutional theory (Campbell, 2007; Luo & Bhattacharya, 2006; Suchman, 1995). Including CSR practices into the businesses' operations was even referred as a *license to operate*, as essential as a good financial performance (Margolis, Elfenbein, & Walsh, 2009). Consequently, stakeholders become more interested in products and services produced by those businesses. Therefore, according to the institutional theory, organizations should adopt CSR activities. However, while established businesses have already built the required confidence with resource providers (Antolin-Lopez, Martinez-del-Rio, Cespedes-Lorente, & Perez-Valls, 2015; Guo, Shen, & Su, 2019; Su, Xie, & Li, 2011), being relatively easy to acquire the necessary resources for the incorporation of CSR activities, new ventures typically have access to a limited number of resources (Antolin-Lopez et al., 2015; Guo et al., 2019; Su et al., 2011). Consequently, new ventures may face higher constraints adopting such activities. On the other hand, and according to the stakeholder theory, the products developed by these businesses also have to be of high-quality, satisfying stakeholders' needs.

According to both theories, legitimacy is built due to a high consistency between social norms, stakeholders' expectations and businesses' practices (Luo & Bhattacharya, 2006). Stakeholders perceive CSR activities as favourable, increasing, for example, customer loyalty to the products of these businesses (Albuquerque, Koskinen, & Zhang, 2018; Luo & Bhattacharya, 2006). However, if CSR activities are adopted at the expense of product innovation and quality, such activities are viewed as not good and should not be adopted by businesses, as pragmatic legitimacy is not achieved, i.e., stakeholders perceive that such CSR activities will not bring them any advantage (Garud et al., 2014; Luo & Bhattacharya, 2006; Suchman, 1995). In this case, stakeholders would not feel that their interests are fulfilled, resulting in, for example, low sales (Luo & Bhattacharya, 2006).

Therefore, businesses' practices have to be developed according to the expectations of a huge number of influences, such as norms, law requirements, and stakeholders' interests. This means that besides adopting CSR practices as a socially constructed norm, businesses should also improve their abilities of, for instance, creating better products to satisfy customers' expectations (Berthod, 2016; Luo & Bhattacharya, 2006; Verleye et al., 2019; Zimmerman & Zeitz, 2002).

2.2 Corporate Social Responsibility (CSR)

Corporate Responsibility (CR) first theoretically emerged trying to evaluate the impact of businesses' actions on societies' welfare (Bansal & Song, 2017). Later, Corporate Sustainability (CS) emerged by questioning the impact of those actions on the natural resources (Bansal & Song, 2017), rising the concept of sustainable development as the need to satisfy consumers' current needs while preserving the resources for the upcoming generations (Bansal & Song, 2017; World Commission on Environment and Development, 1987). Since CR and CS equally benefit the society, both concepts have converged into CSR: businesses have the responsibility of creating value for the economy, the society and the environment (Bansal & Song, 2017; Cheng, Ioannou, & Serafeim, 2014; Flammer, 2013). The present dissertation adopts this view.

At this point, it is relevant to clarify the extent of the stakeholder theory, proposing that businesses behave in agreement with stakeholders' interests. Stakeholders are investors, customers, employees, the community, founders, all the parties that affect or are affected by company's decisions (Freeman, 1984; Joyce & Paquin, 2016). Traditionally, firms were believed to have only one responsibility: profit maximization. Therefore, firms' single interest was to create economic value to shareholders (Friedman, 1970). Nowadays, however, several stakeholders have increasingly pressured businesses to deal with social and/or environmental challenges (Bocken, 2015; Guterres, 2018; Hall et al., 2010; Joyce & Paquin, 2016). Thus, according to the stakeholder theory, companies have to consider the interests of stakeholders, creating economic, environmental and/or social values (Bocken, 2015; Joyce & Paquin, 2016).

However, different stakeholders have different interests, and therefore decision conflicts may arise (Ayuso, Rodríguez, García-Castro, & Ariño, 2014). In order to overcome these decision conflicts, businesses may categorize stakeholders according to their importance into primary (prioritizing these stakeholders) and secondary (Ayuso et al., 2014; Waddock, Bodwell, & Graves, 2002).

Primary stakeholders are those that are crucial for the existence of the business, directly affecting and being affected by businesses' practices, e.g. customers and investors. Secondary stakeholders affect or are affected by businesses' practices as well, yet indirectly. This group contributes to the businesses' reputation and includes the media, competition and activists

(Ayuso et al., 2014; Waddock et al., 2002). Table 1 illustrates the pressures/interests of several stakeholders (Waddock et al., 2002).

Stakeholders	Pressures/Interests
Investors (shareholders)	Performance Pressures: Profit Maximization and Company Growth; Social and/or Environmental Impact.
Customers	Price and Quality; “Green” and “Ethical” products.
Employees	Fair Remuneration; Compliance with Human and Labour Rights; Self-realization.
Community	Social and/or Environmental Impact.
Founders (entrepreneurs)	Performance Pressures: Profit Maximization and Company Growth; Social and/or Environmental Impact.

Table 1: Stakeholders and their Pressures/Interests (Waddock et al., 2002).

A relevant example of stakeholders with sometimes contradictory interests is investors and founders. Investors directly influence businesses, providing ventures with the necessary economic resources. Thus, businesses have the responsibility of providing investors with the highest return on investment (ROI), which is their main interest (Bocken, 2015) even though nowadays some investors are increasingly interested in businesses that also act in a socially-responsible way (Mackey, Mackey, & Barney, 2007). On the other hand, founders created their business having a certain purpose in mind, which may mainly consist in a social and/or environmental objective. Investors and founders may therefore not be always in agreement, creating some conflicts. Still, founders know the importance of investors for businesses. Thus, according to the stakeholder theory, businesses have to take into consideration all these interests. And businesses that incorporate CSR activities while maximizing profits may be the best approach to successfully engage with all stakeholders (Ayuso et al., 2014; Georgescu, 2018).

CSR definition involves voluntary actions that businesses undertake in order to make a social and/or environmental impact, besides the goal of the company and what is required by law. Thus, when a business incorporates CSR activities into the normal business practices, not only the shareholders’ interests are observed, but also the interests of a wider number of stakeholders (Carroll, 1999; Cheng et al., 2014; Kitzmueller & Shimshack, 2012; McWilliams & Siegel, 2001; Wang, Tong, Takeuchi, & George, 2016).

The impact of CSR activities into the business profitability is still under debate (McWilliams & Siegel, 2000). Some urge that CSR practices are not compatible with the profit maximization objective, and are therefore reluctant about adopting such activities (Certo & Miller, 2008; McWilliams & Siegel, 2000, 2001). Others believe that CSR activities contribute to profit maximization (Kitzmueller & Shimshack, 2012; Margolis et al., 2009; Schueth, 2003) and even leading to the businesses' competitive advantage (Bansal & Song, 2017; McWilliams & Siegel, 2001). Actually, several studies were conducted in order to determine the impact of CSR practices on profitability. A meta-analysis, including studies from 1972 to 2007, showed a small although positive impact on the businesses performance (Margolis et al., 2009).

The main reasons for businesses to incorporate CSR activities include legitimacy (Margolis et al., 2009; Suchman, 1995); marketing variables as a differentiation strategy – for instance, Ben & Jerry's (Ben & Jerry's, n.d.; McWilliams & Siegel, 2001); to command a higher price (Dean & McMullen, 2007; Kitzmueller & Shimshack, 2012; Nielsen, 2014); and increase sales (Santos, Pache, & Birkholz, 2015). In terms of operations, CSR may attract top employees (Lee & Jay, 2015), and the value chain usually becomes more efficient when sustainable practices are implemented (Santos et al., 2015), resulting in a good stock market reaction (Flammer, 2013; Margolis et al., 2009).

2.3 Creation of New Ventures

Entrepreneurship and the formation of new ventures have increasingly been considered important tools to face social and environmental challenges. Entrepreneurship focuses on identifying, evaluating and developing entrepreneurial opportunities, which gives rise to the new venture (Shane, 2012; Shane & Venkataraman, 2000). Three main stages are involved in the creation of a new venture: the *generation of new ideas* (of new products and services); the *recognition of business opportunities*; and finally, the *acquisition of essential resources* (Baron, 2007).

Established businesses have already spent the necessary time at getting access to a wide range of resources, such as knowledge, human resources and financial capital (Antolin-Lopez et al., 2015; Baron, 2007; Martens et al., 2007; Su et al., 2011; Zhang, Soh, & Wong, 2010), meaning that they have already gained legitimacy with resource providers. New ventures, however, usually have access to limited resources, and thus, they have to develop confidence with resource providers, gaining legitimacy (Antolin-Lopez et al., 2015; Guo et al., 2019; Su

et al., 2011). This is a key milestone for developing new ventures (allowing to put ideas into practice and entering the market) and, consequently, for new ventures survival (Antolin-Lopez et al., 2015; Baron, 2007; Martens et al., 2007; Su et al., 2011; Zhang et al., 2010).

2.4 Types of Hybrids

New ventures can emerge as pure not-for-profit, pure for-profit, or even hybrid ventures. With all the issues of our society, such as the global economic crisis in 2008, the poverty that was affecting the society, and the climate change, hybrid businesses became the focus of the business sector (Doherty, Haugh, & Lyon, 2014). New ventures are being pressured to develop a business model that satisfies both the creation of economic and social values (Lee & Jay, 2015), assuming hybrid forms. On the other hand, commercial for-profit and not-for-profit businesses are adopting hybrid forms (Battilana, Lee, Walker, & Dorsey, 2012; Doherty et al., 2014; Ebrahim, Battilana, & Mair, 2014; Haigh, Walker, Bacq, & Kickul, 2015; Santos et al., 2015). While pure for-profit businesses only have a profit maximization objective, and pure not-for-profit businesses only focus on positive social and/or environmental impact, hybrids incorporate both social and commercial dimensions in their value proposition (Vassallo, Prabhu, Banerjee, & Voola, 2019). Hybrids are classified according to the degree of importance given to the social and commercial logics. Vassallo and colleagues propose a continuum with for-profit and not-for-profit pure businesses lying in opposite sides (Vassallo et al., 2019). In between, three main types of hybrids may be identified, and are introduced in the following sections.

2.4.1 Social Enterprises

Social enterprises have a social and/or environmental mission and achieve it through commercial means, i.e., these enterprises contain a balanced combination between a not-for-profit and a for-profit business profiles (Battilana et al., 2012; Ebrahim et al., 2014; Haigh et al., 2015; Lee & Jay, 2015; Santos et al., 2015; Smith & Lewis, 2011; Vassallo et al., 2019). New social enterprises have to be effective in managing both profit generation and social impact, which is a big challenge for businesses today (Battilana et al., 2012; Santos et al., 2015). In fact, some internal tensions may appear regarding how much value should be created for society and for the company (Santos et al., 2015; Vassallo et al., 2019). This is due to the incorporation of that dual objective, with different and sometimes contradictory demands (Smith, Gonin, & Besharov, 2013). Table 2 specifies several of the possible tensions that may occur in these businesses (Smith et al., 2013; Smith & Lewis, 2011).

Dimensions of Social Missions	Types of Tensions	Dimensions of Commercial Ventures
Objective: Social Impact through satisfying the needs of a huge number of stakeholders	Performing Tensions: <i>Divergent Objectives - different stakeholders have different assessments of the concept of success</i>	Objective: Profitability usually through satisfying the needs of shareholders
Assume Not-for-Profit Legal Forms; Strategies such as hiring disadvantaged employees in order to make a social impact	Organizing Tensions: <i>Different Internal Dynamics</i>	Assume For-Profit Legal Forms; Strategies such as hiring employees that enable the profit maximization goal
Employees and stakeholders willing to pursue the social mission	Belonging Tensions: <i>Different Identities</i>	Employees and stakeholders willing to pursue the commercial objective
Long-Term Orientation which can delay growth	Learning Tensions: <i>Divergent Time Horizons</i>	Short-Term Orientation which can threaten the social mission

Table 2: Types of Tensions in Social Ventures (Smith et al., 2013; Smith & Lewis, 2011).

The resolution of these tensions is often achieved through rebalancing priorities, usually with one dimension overtaking the other (commercial or social). When the business gives more importance to the commercial dimension (moving through the hybrid spectrum and getting closer to the pure for-profit form), major social consequences may occur. On the other hand, if the business gives more importance to the social dimension (getting closer to the pure not-for-profit form), it may become financial unsustainable, decreasing the probability of survival and thus creating major social consequences as well (Santos et al., 2015). It is likely that new ventures suffer from these internal tensions once they are highly dependent on venture capital to grow. Venture capitalists invest in ventures that will give them the highest expected ROI (Bocken, 2015). Consequently, these individuals may pressure social ventures to prioritize the commercial dimension of the business, increasing profitability, in order to give investors a high return.

2.4.2 Commercial For-Profit Ventures with a Sustainability Claim

Commercial for-profit ventures with a sustainability claim have the main objective of generating wealth while adopting CSR practices into the business (Vassallo et al., 2019). Indeed, several traditional corporations have increasingly been incorporating CSR practices as a complement to the main business line (Wang et al., 2016). According to Friedman, firms' only responsibility was profit maximization (Friedman, 1970). But nowadays, even pure

commercial for-profit businesses are pressured to adopt CSR, which may be perceived as compatible with the profit maximization goal (European Commission, 2019; Kitzmueller & Shimshack, 2012; Schueth, 2003). For instance, Danone was pointed out as a for-profit company where employees actively participate in social projects partnered with not-for-profit organizations, while the main focus is still wealth generation. Although these ventures have an economic mission, they usually promote social projects in cooperation with not-for-profit organizations (Wang et al., 2016).

2.4.3 Not-For-Profit Hybrids

Not-for-profit hybrids have a social and/or environmental mission, and mainly rely on grants and/or donations to achieve it. However, they may also use revenues with the objective of attaining the social and/or environmental mission (Battilana et al., 2012; Vassallo et al., 2019). Several traditional not-for-profit businesses are facing difficulties in receiving grants and donations. Thus, these businesses are relying more in revenues and less on grants and donations, in order to achieve their social missions (Battilana et al., 2012; Haigh et al., 2015).

Table 3 introduces key differentiators between the main types of hybrids (Flint, 2018; Vassallo et al., 2019).

	Not-For-Profit Hybrids	Social Enterprises	Commercial For-Profit Ventures with a Sustainability Claim
Mission	Social and/or Environmental	Social and/or Environmental	Economic
Source of Financial Sustainability	Mainly Grants and/or Donations, but also Revenues	Revenues	Revenues
Value Created	Mainly Social and/or Environmental Impact	Social and/or Environmental Impact and Wealth Generation	Mainly Wealth Generation

Table 3: Distinction between Hybrids. Adapted from (Flint, 2018).

These three types of hybrid ventures belong to the hybrid spectrum (Vassallo et al., 2019), presenting relevant differences. While not-for-profit hybrids attain a social and/or environmental mission mainly by using grants and/or donations, social enterprises only use revenues to achieve the same mission (Battilana et al., 2012; Ebrahim et al., 2014; Haigh et al., 2015; Santos et al., 2015). Regarding commercial for-profit ventures with a sustainability claim, wealth generation is the main focus (Wang et al., 2016).

2.5 Communication Strategies

One of the main steps in the creation of new ventures is the acquisition of the necessary external resources, such as financial resources, a difficult challenge that entrepreneurs (founders) must engage in (Martens et al., 2007; Zhang et al., 2010). One of the main aspects that makes the acquisition of financial resources complex is the existence of information asymmetry and uncertainty between investors and entrepreneurs (Martens et al., 2007). Investors are not certain about the new venture's ability to grow or even about the entrepreneurs' aspirations. Moreover, investors usually have access to less information than entrepreneurs (Martens et al., 2007). Additionally, while established companies have already a number of documents that prove their evolution through time and performance, which allows investors to understand if the investment is viable, start-ups do not have any type of documents that prove their future success (such as track records) (Antolin-Lopez et al., 2015; Lounsbury & Glynn, 2001; Martens et al., 2007; Werven et al., 2019). Thus, investing in new ventures is perceived as riskier when compared with investing in already established companies (Antolin-Lopez et al., 2015).

Therefore, entrepreneurs must persuade investors with the purpose of getting funding for their new venture development (Zhang et al., 2010), and social skills (e.g. communication ability) are a determinant factor for accessing crucial resources (Baron, 2007; Baron & Markman, 2000; Martens et al., 2007; Werven et al., 2019). Extant research shows that stories are an effective way for communicating, reducing the uncertainty between investors and entrepreneurs (Lounsbury & Glynn, 2001; Martens et al., 2007; Werven et al., 2019). Consequently, when pitching to investors, entrepreneurs' ability to tell a good story about their new venture may highly influence the access to funding, enabling the new venture creation (Larty & Hamilton, 2011; Lounsbury & Glynn, 2001; Martens et al., 2007; Werven et al., 2019). According to the stakeholder and institutional theories, these stories have to be considered credible and consistent with the investor's expectations and social rules (Suchman, 1995; Zimmerman & Zeitz, 2002) in order to be accepted by investors. This means that legitimacy-building stories are used with the purpose of being trusted (Larty & Hamilton, 2011; O'Connor, 2004; Suchman, 1995; Werven et al., 2019). Furthermore, these stories are successively and consciously redesigned and retold by entrepreneurs with the purpose of getting funding by legitimacy-building (Lounsbury & Glynn, 2001; Martens et al., 2007; O'Connor, 2004).

Leveraging legitimacy is a difficult process and relates to several audiences, not only investors. Stories have to be told in different ways according to the interests of each targeted stakeholder (such as investors, customers and employees) and social rules, with the aim of being trusted by all and then receiving the necessary resources from different stakeholders (Larty & Hamilton, 2011; Lounsbury & Glynn, 2001; O'Connor, 2004). New ventures have thus to build legitimacy from the first moment – and good stories are crucial (Antolin-Lopez et al., 2015; Guo et al., 2019).

When pitching to investors, the dominant logic of hybrids is to tell the stories investors will listen to. While founders of for-profit ventures likely tell stories more oriented to their objective of making profit, founders of not-for-profit ventures are expected to focus their pitch on communicating their social mission and its benefits to the society. The success in receiving the necessary financial resources depends on the stories that are told to investors. Thus, in order to succeed, such stories have to be consciously thought and designed according to the investor's expectations and with social rules, possibly leading to internal tensions (Table 2) or even a shift of the hybrid on the spectrum (Santos et al., 2015; Smith et al., 2013; Vassallo et al., 2019).

Therefore, in order to build such stories, what makes investors to invest? When pitching to investors, do stories change in order to increase the consistency between the practices of the ventures and investors' interests?

Chapter 3: Methodology

3.1 Research Approach

This work follows a case study approach, which is becoming an increasingly valued research strategy for theory-building, and appears to be the most suitable approach to address our research questions (Eisenhardt & Graebner, 2007; Yin, 2014). This dissertation inductively builds theory by answering the “*how*” and “*why*” investors invest in a specific venture.

Case studies can be classified as single or multiple-case studies. The latter enables to compare the emergent findings between cases in order to understand if findings are replicated through the several cases, contributing to the recognition of patterns and to their validity. The differences between findings of each case are also important, expanding and developing the research questions to enhance theory-building. Multiple-case studies by eliminating the bias effect improve accuracy, which is more challenging to obtain in a single-case study. Therefore, in order to build a more generalizable, robust, and accurate theory, the multiple-case study approach was followed in this dissertation (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2014).

3.2 Case Selection and Data Source

After identifying a reliable and relevant acceleration program, case studies were selected through secondary data by the implementation of *theoretical sampling*, which implies to choose the cases that have potential to highlight necessary theoretical insights for theory-building (Eisenhardt & Graebner, 2007). Thus, selecting the most suitable business cases is particularly important to draw relevant conclusions.

We identified a tech start-up accelerator, Building Global Innovators (BGI). This accelerator is considered one of the top world players (Building Global Innovators, 2019a), which develops an acceleration program for EIT Climate-KIC. The Climate-KIC program is one of the innovation communities of the European Institute of Innovation and Technology (EIT), being supported through public funds.

EIT Climate-KIC acceleration program provides ventures with resources for their development, such as knowledge and investment. In order to be accepted in this program, the solutions provided by these ventures have to make a positive contribution to the sustainable development by facing and minimizing climate change effects. In fact, the EIT Climate-KIC’s accelerator program is the major acceleration program in the world dedicated at tackling the

climate challenge, benefiting more than 2,000 businesses (Building Global Innovators, 2019b; Climate-KIC, 2019).

The number of cases was selected according to the moment of *theoretical saturation*, i.e., the data was collected until reaching this point when adding new business cases does not bring new and relevant information to the conclusions of the study (Bryman, 2012; Eisenhardt, 1989).

The selected ventures share the characteristic of reducing the climate change effects, and all participated in BGI's acceleration program. The sample is composed by six Portuguese global businesses. Lisbon, the capital of Portugal, is considered one of the best cities for start-ups in the world, and an innovative and tech start-up hub, providing the start-ups with a huge network of world investors of all types (Farmbrough, 2019; Thorsen, 2019). Furthermore, both the researcher and the interviewees share the same mother tongue, allowing a better communication flow. Also, one country analysis avoids potential biases from cultural differences. For instance, some investors may prefer to invest in start-ups that were founded in a pre-selected country, disregarding the start-ups' value proposition and leading to biases in the results.

3.3 Data Collection

Secondary Data

Businesses information was collected not only through primary data, but also through secondary data, accomplishing data triangulation (Bryman, 2012; Eisenhardt, 1989). Accordingly, richness and accuracy were respectively improved due to the conduction of a complementary secondary research – searching online for the business cases (e.g. websites) and analysis of pitch presentations –, which provided the researcher with a more detailed response to the research questions.

Primary Data

Main data was collected through semi-structured interviews (Eisenhardt & Graebner, 2007), enabling to compare the information between cases as the interview is structured in a similar way for all interviewees, but also allowing some flexibility. In other words, the interviewer may ask additional questions when appealing subjects to the study are disclosed by the interviewees (Bryman, 2012).

In order to reduce potential biases from using this method and reach high-quality data, it is recommendable to interview a considerable number of knowledgeable people, who may reveal important and diverse information about the subject under investigation (Eisenhardt & Graebner, 2007). Therefore, the interviewees were entrepreneurs, the majority co-founders, who are the most informed people about their businesses challenges. In order to reach our sample, ventures were contacted by e-mail, introducing the researcher and the research subject. After agreeing to participate in the study, interviews were booked.

All interviews followed the same interview script with three main sections: one regarding businesses background, then a section about investment stage and investors' interests and, finally, one section asking about the evolution of entrepreneurs' pitches. The final script was achieved after a pilot to assess the suitability of the questions, ensuring that the final interview guide was able to give a response to the research questions (Appendix A).

Appendix B summarizes the characteristics of the interviews, such as methods used to conduct the interviews, duration and interviewees profile.

Sample Profile

The sample includes businesses in several stages of the life cycle, ranging from 7 to 1 year of existence. While three of them were founded between 2013 and 2015, the others were founded between 2016 and 2018 (Appendix B). At the time of the interviews, one company was classified as a scale-up instead of start-up, being the oldest business in the sample. The others were still start-ups. Furthermore, while the majority of the interviewed businesses were at the commercial phase (or willing to begin it), one was still at an early stage of life cycle, developing and testing the product. All the businesses had already received funding. But while some were still actively searching for funding, others were generating revenues, searching passively for funding. Additionally, the sample includes diverse industries. Therefore, our sample contains different realities, allowing the emergence of a more realistic theory.

Table 4 presents a summary of the main characteristics of the six business cases studied in the present dissertation. Ventures' real names were changed with the purpose of ensuring confidentiality.

Case	Business Description	Value Proposition	Life Cycle Stage	Industry // Customer Type
Wind	Automated system that monitors wind blades	Rise performance, avoid failures & maintenance costs	Develop & Test the product	Cleantech // B2B
Recycle	Food production system	Offer healthier, fresher & tasty food, sustainably produced	Willing to Implement the project & Commercialize the product	Agri & Foodtech // Mainly B2C
Traffic	System that optimizes transportation	Higher efficiency: saves fuel, rises safety, reduces costs & helps customers to work on social responsibility	Preparation to Commercial phase	Smart Cities, Energy Efficiency // B2B
Saver	Water and energy saver system	Saves water & energy, reduces costs & rises customer comfort	Commercial phase	Cleantech // B2B2C
Control	Automated system for irrigation control	Reduces resources used, work & complexity of irrigation	Beginning of Commercial phase	Agri & Foodtech // Mainly B2B
Software	Software that optimizes the process of furniture building	Higher industrial efficiency: reduces waiting time & production errors (thus, saves inputs & rises producer margin)	Commercial phase	Enterprise IT // B2B

Table 4: Summary of Business Cases.

3.4 Data Analysis

Data analysis followed several steps: separation; examination; comparison; conceptualization; and categorization of data (Corbin & Strauss, 1990; Eisenhardt, 1989). A within-case analysis was first conducted, analysing the data from each case individually (Eisenhardt, 1989; Miles & Huberman, 1994). Pursuing this analysis requires a detailed transcription of the obtained data (in the present study, quotes were directly translated from Portuguese). Hence, data from each business was described in detail in distinct excel sheets. Then, this data was read multiple times and grouped (within each business case) according to certain headings. This is a fundamental stage for a multiple-case analysis due to the huge amount of information at this initial phase of this process. At this point, the main objective is to obtain a detailed

understanding of each case individually as well as an awareness of the patterns that arise from each case, facilitating the next stage.

A cross-case analysis allows to compare the data of all business cases with the purpose of identifying similarities and differences (Eisenhardt, 1989; Miles & Huberman, 1994). In order to extract a well-founded theory from these comparisons, the method used was the division of the cases in pairs. Similar and distinct information is then discovered within each pair and the comparison between the pairs of cases. Following this process increases the reliability and accuracy of the developed theory.

Finally, it is also necessary to evaluate if the data of each single case is in agreement with the developed theory in an iterative manner (since the closest fit guarantees a solid theory). Furthermore, the degree in which this theory is in accordance (or not) with the extant literature needs to be assessed. Throughout all this process, the emergent data was continuously connected to the extant literature, which is of high importance in guaranteeing a valid and generalizable theory (Eisenhardt, 1989).

Chapter 4: Research Findings

4.1 Initial Value Proposition

The interviews showed that the initial value propositions of businesses are influenced by how founders believe their businesses should be developed.

4.1.1 How the Business Emerged

Three businesses of our sample were already dealing with a (not necessarily sustainable) technology when they decided to start an independent new business (*Saver*, *Wind* and *Software*). As the interviewee from *Software* stated, these businesses were generated from resources already used:

“We did not emerge from a problem. (...) We started by determining the resources because we already had the know-how. Thus, the opportunity was generated by the resource.”

Although these technologies were at the centre of the new venture, these interviewees referred that they chose the market according to the highest intended outcome (economic, environmental or social) possible to be obtained: *“(...) I searched for markets where my system could create a much higher value (...)”* (*Wind*)

In contrast, the other three businesses emerged in order to solve specific problems of particular markets (*Control*, *Traffic* and *Recycle*), a typical path in the creation of a business (Baron, 2007):

“The technicians have a complex and hard work (...). Our company emerged with the purpose of solving that problem, providing those technicians with equipment that helps them doing their hard work.” (*Control*)

Therefore, whether a business adopts a market driving (technology), or a market driven (market) perspective, a market opportunity is always addressed. This market opportunity is selected according to founders' motivation, influencing the economic, environmental and/or social values that are possible to be generated by each business.

4.1.2 Environmental and/or Social Value Creation

All interviewees mentioned a high environmental value creation. This value emerges as a primary purpose for the creation of three businesses (*Traffic*, *Saver* and *Recycle*). When asked about rating, from 1 to 10, the degree to which the business presents an environmental objective, these participants rated above 7 (see Table 5). *Traffic* clearly exemplifies:

“We had the ambition of helping the problem of excessive CO₂ emissions. Thus, we decided to apply this in transportation companies and help the world. (...) To save one million of liters of fuel means millions of tons of CO₂ emissions reduced.”

Control, *Wind* and *Software* also have a high environmental concern, but it is not a business purpose. *Control* and *Software* respectively rated this aspect 6 and 8 (Table 5), but this is clearly not a business objective. This component is an imperative that arises from the products characteristics:

“The sustainable side of this business comes from the product. (...) There are several considerations in terms of savings, which positively impact the environment. (...) although our company was not idealized with the final purpose of helping the environment, it is a consequence from the technological advance of our tool, from the initial moment.” (*Software*)

In line with *Control* and *Software*, *Wind* referred a high environmental value created from its products, even though it is not an objective (rated 1):

“Improving the performance of any sustainable system has a direct sustainable proposition, with all its consequences.”

Regarding the social component, this is not considered to be a primary business objective. Although *Recycle*, *Saver*, *Traffic* and *Software* rated this aspect above 7 (Table 5), it was really clear from their interviews that this is not their objective, but an important aspect. On the other hand, *Wind* and *Control* respectively gave 1 and 3 to this objective, clearly stating: *“The objective was never to create a social impact (...)”* (*Wind*)

Moreover, *Saver*, *Traffic*, *Software*, *Wind* and *Control* seem to agree that the social aspect is a consequence of the environmental goal. *Control* clearly states that: *“This [social] goal comes indirectly due to the environmental goal (...)”*. But, when questioned regarding the environmental and social purposes of the businesses, *Saver*, *Traffic*, *Software* and *Wind* focused on the former, disregarding the latter. For example, *Traffic* only indirectly mentions the social impact: *“The fact of saving fuel (...) diminishes our CO₂ footprint directly, which brings social responsibility.”* In fact, this agrees with the literature, stating that addressing social problems involves environmental protection (Bansal & Song, 2017).

Finally, despite financial difficulties, *Recycle* presents the social aspect as a high-concern. Although it was not mentioned as the primary goal, its importance is notorious (rated 9):

“Although we are facing financial difficulties, we have had a high social focus. We make workshops in schools, help them to develop their projects and inform everyone about the sustainability importance, no carbon footprint, the use of renewable energy, and often we do not receive anything in exchange.”

4.1.3 Economic Value Creation

The economic objective is strong for most of the ventures. *Wind, Control, Traffic* and *Software* strongly emphasized this logic:

“To be able to have environmental and social impact, it is required to guarantee an economic sustainability, making all objectives strong.” (Control)

All gave 10 to the economic objective (Table 5), being the unique business objective for *Wind, Control* and *Software*. *Control, Traffic* and *Software* communicated the message of being a strong objective because it is necessary for pursuing the business activities.

To a lower degree, *Saver* and *Recycle* also highlighted the creation of economic value:

“It is not a mass market product; it will not be sold in a large scale. Thus, not that strong [the economic objective].” (Saver)

Saver refers that the reason lies on the characteristics of the products, which do not allow the business to have a stronger economic objective, rated 5 or 6 (Table 5).

Recycle is an exception to the emphasis on the economic value (rated 1), but also strongly acknowledges that financial sustainability is important for developing the business project:

“The importance of our economic objective is high. Without achieving minimal financial objectives, we cannot continue working. Even to acquire investment, our ROI is also high.”

Within the sample, two entrepreneurial perspectives emerged: half of the businesses clearly present an environmental objective, whereas the others recognized it solely as an indirect effect from their products. Nevertheless, a strong environmental aspect was noticed from all interviews. On the other hand, results show that only *Recycle* reveals a strong social claim, although it is not the main goal. The other participants do not seem to possess a social claim, indicating that social impact comes indirectly from their environmental objective: being good to the environment is perceived as being good to the society. The economic focus is strong for the majority of the businesses, considered the unique objective for half the sample. However, *Recycle* is the exception, stating that it is only an important aspect to survive.

The rating on each business logic is provided in Table 5.

Objective	Recycle	Saver	Traffic	Software	Control	Wind
Environmental	9	8	10	8	6	1
Social	9	8	10	7	3	1
Economic	1	5/6	10	10	10	10

Table 5: Answered Businesses' Objectives (From 1 – not an objective to 10 – most important objective).

The actual value creation of each component does not necessarily correspond to this rating, as previously discussed in the respective sections. By comparing the ratings and interviews, we drew a position map using the creation of economic and environmental values, Figure 1. For instance, *Wind* merely presents an economic objective, rated 10. However, although the environmental objective was rated 1, this business also has a high environmental impact. The social focus was not included in this figure because only *Recycle* reveals a strong social claim.

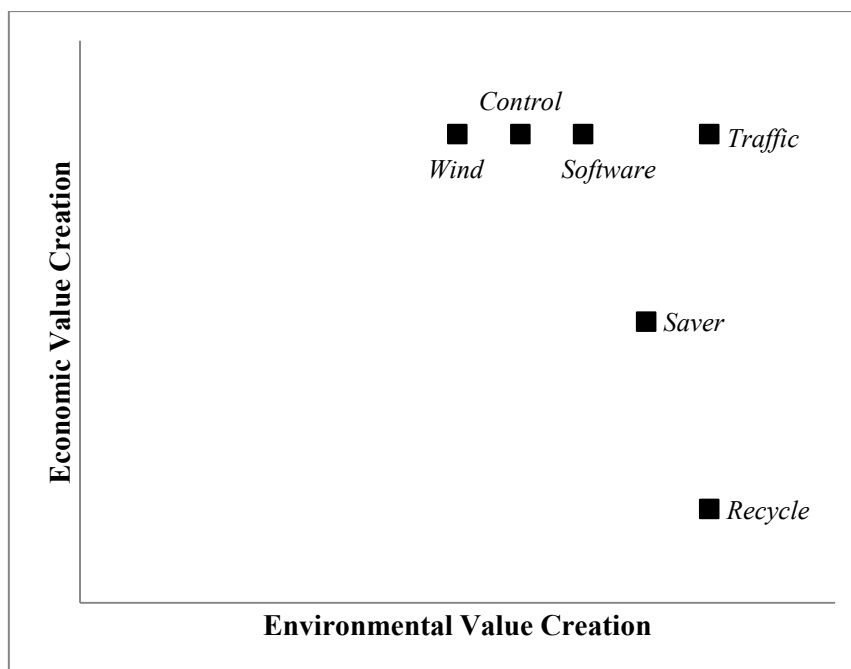


Figure 1: Position Map: Economic vs Environmental Value Creation.

Business Cases Classification

The present business cases may be considered hybrid businesses, creating environmental and/or social, and economic values. Therefore, businesses are now classified according to the three main types of hybrids presented in section 2.4.

Despite the strongest environmental objective and strong social claim of *Recycle*, its economic focus is the lowest of the sample. Revenues are generated to be applied in the

business activities. Thus, this business mainly creates a social and/or environmental impact and may be classified as not-for-profit hybrid, the closest business of the sample to a pure not-for-profit form (Battilana et al., 2012; Vassallo et al., 2019).

Saver and *Traffic* may be classified as social enterprises. *Traffic* has a strong economic aspect, in opposition to *Saver*, although both mention it is mainly for their survival. However, both have strong environmental missions, mixing for-profit and not-for-profit profiles. *Traffic* is closer to the pure for-profit form while *Saver* closer to the pure not-for-profit (Battilana et al., 2012; Ebrahim et al., 2014; Haigh et al., 2015; Santos et al., 2015; Vassallo et al., 2019).

Despite the environmental impact, *Control*, *Wind* and *Software* only have an economic objective, particularly relevant for *Wind*. Thus, they are classified as commercial for-profit ventures with a sustainability claim (Wang et al., 2016). *Wind* is the closest to a pure for-profit business form.

An overview of businesses classification is presented in Table 6.

	Not-For-Profit Hybrids	Social Enterprises	Commercial For-Profit Ventures with a Sustainability Claim
Cases	Recycle	Saver; Traffic	Control; Software; Wind
Mission	Social and/or Environmental	Social and/or Environmental	Economic
Value Created	Mainly Social and/or Environmental Impact	Social and/or Environmental Impact and Wealth Generation	Mainly Wealth Generation

Table 6: Businesses Classification.

Accordingly, a hybrids spectrum (Vassallo et al., 2019) was also drawn including all hybrid businesses, allowing a better comparison, Figure 2. For example, *Recycle* and *Wind* are the extremes of our sample, being *Recycle* the closest to a pure not-for-profit, and *Wind* the closest to a pure for-profit business.

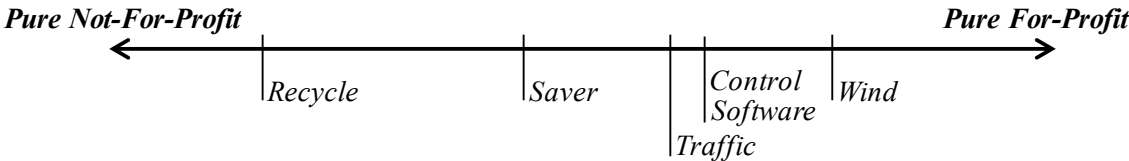


Figure 2: Hybrids Spectrum.

4.1.4 Customer Groups

From the interviews it became clear that different markets – Business-to-Business (B2B), Business-to-Consumer (B2C) and Business-to-Business-to-Consumer (B2B2C) – have different perspectives on the sustainability value. As such, we distinguish between different types of customers.

B2B Customers

Our findings show that in B2B markets (*Control, Software, Traffic, and Wind*) an environmental claim is more difficult to communicate. B2B markets are mainly concerned with reducing costs rather than making a positive impact. Thus, the value proposition emphasizes efficiency:

“There is no need to refer the sustainable aspect because the client is typically not in alert for that need of environmental consciousness. (...) usually is not the main aspect for achieving our target client. Everything that can be transformed in profit, the client is interested in. (...) The client looks for a process optimization.” (Software)

“The primary investment of a transportation company is for an efficiency increase. This immediately brings costs reduction, which is the main target. (...) The main factor that drives the customer is not only the pollution problems, but costs reduction.” (Traffic)

B2B2C Customers

When targeting end consumers, ventures can more easily rely on the sustainability claim. Environmental concerns are increasingly growing among final customers and, more important, the willingness to pay for these products is higher:

“This product [technology] makes sense now because people are more environmentally-conscious. Thus, they are more willing to pay to have less environmental impact.” (Saver)

Nevertheless, this participant evidently mentions the need for communicating other benefits for the final customer as well, such as resources saving and comfort:

“There are customers that are sensible to environmental aspects, more and more this happens; others just want their comfort; others want an innovative shower; etc. (...) Of course, the other aspects also often need to be communicated, because only the environmental aspect does not sell.” (Saver)

B2C Customers

Finally, *Recycle* operates in B2C market. The value chain is clearly focused on the end customer. Interestingly, sustainability is claimed, but it still comes second to quality:

“What takes customers to buy a product like ours [food] is the fact of being a superior product in terms of quality, not the question of sustainability. Today, it is still not the first factor that drives consumption, it is more due to quality.”

Recycle also mentioned that, in the future, customers will prefer to select products produced in a sustainable manner: “(...) companies with these [environmental sustainability] concerns are the ones that tend to generate a higher value at the market level.” Nevertheless, this is still not always valued by the end customer when purchasing:

“Unfortunately, we have to compete with other businesses whose main concern is the return, and more importantly, that are harmful for the environment and do not pay anything for it. With all our concerns about sustainability, we even have to pay an extra value to explain people how we work, and still have to sell our products almost for the same value.” (Recycle)

Summarizing, communicating an economic claim is what makes B2B customers interested in the products. However, what drives the end consumer (B2C or B2B2C) is the benefits for their welfare. Our sample mentions that although concerns with the environment and/or the society are increasing, nowadays customers are still sceptic at consuming sustainably-produced products. Therefore, communicating the sustainability claim to customers is still not enough.

4.2 The Value Proposition to Investors

The environmental, social and economic value creations, as well as customers’ interests, influence the definition of the initial value proposition. However, when pitching to investors, their interests also need to be considered.

The participants stated that the essence of the value proposition does not significantly change, although it evolves. Entrepreneurs strongly agree that “*The objective and mission [of a company] do not vary (...)*” (Traffic), not depending on the audience. Nonetheless, knowing the interests of the audience is crucial when pitching, as Recycle exemplifies:

“Our main value proposition has always been [the same] (...). But, there is an evolution of my pitches, depending on the targeted audience.”

Entrepreneurs adjust the value proposition that is communicated at the pitch presentation, taking into consideration the audience’s interests. The Wind co-founder stated: “*When I do a pitch, I have to know who my audience is and what demands, adapting my pitch (...).*”

Therefore, it becomes clear that the emphasis on certain benefits will be adjusted to the audience. What becomes interesting is to understand which such focus is, when the audience is investors.

4.2.1 Investors Interests: Primary Audience

Surprisingly, all the participants in the present study agree that investors' main interest (if not the unique) when selecting their investment portfolio is the economic aspect, i.e., the expected return:

“Investors only want one thing: they invest to earn more money, i.e., to obtain the highest possible return.” (Wind)

“Today, the typical investor that we have access is the venture capitalist, which looks for businesses with high and fast growth potential.” (Recycle)

This shows that even for Climate-KIC ventures, which necessarily have to address an environmental issue, what drives investors is still the economic value. This is aligned with Bocken argumentation where venture capitalists, a traditional investors type, are purely profitability driven (Bocken, 2015). Sustainability seems to play a secondary role:

“(…) investor’s main interest is the economic return. Innovation and sustainability are important, but if the economic aspect is not present or is weak, there is no interest.” (Recycle)

Nevertheless, sustainability claim brings a differentiation factor. In the words of one entrepreneur *“(…) if investors are faced by two investment options with the same return and one has the sustainability aspect, investors will invest in the last one” (Recycle)*. And perceptions are that such differentiation point is growing:

“Today, investors have a higher concern with sustainability. There are several Cleantech programs, several people and capital ventures with capital that are more focused on that [sustainability].” (Traffic)

“(…) studies indicate that the investment in the next years in these areas connected to Cleantech, with a direct impact in the emissions reduction and sustainability, will increase a lot.” (Saver)

Such growth is also strongly related to financial returns. Investors note that socially-responsible businesses are relevant investment candidates due to a potentially high economic return:

“Investors may know that sustainability is a prosperous area, being the main driver that will lead them to make money (because these businesses have a high growth potential or there will be a higher amount of available investment in these areas).” (Saver)

Consequently, *Recycle*, *Traffic*, *Saver* and *Control* recognized a distinct type of investors – socially-responsible or socially-conscious investors (Cheah, Jamali, Johnson, & Sung, 2011; Mackey et al., 2007) – who “(...) search not only for profits; but also to positively impact the environment” (*Saver*). This agrees with the literature (Hill, Ainscough, Shank, & Manullang, 2007; Schueth, 2003). A sustainability claim is therefore a requirement for this type of investors, typically related to public support programs, for instance, European funds:

“Those [socially-responsible] investors are usually connected to European funds.” (Traffic)

“(...) For example, we have another partner (...) which is a fund (public-private partnership), thus, there is obviously an environmental concern. (...) they just fund projects in the Cleantech area.” (Saver)

Saver and *Control* consider that socially-responsible investors (public and private) have invested in these businesses,

“I classify all my investors as socially-responsible because they all have in their portfolio businesses that positively impact the environment.” (Saver)

Recycle and *Traffic* bring a different view, claiming they have never been exposed to private socially-responsible investors (doubting its existence),

“(...) I think they exist. (...) From our experience, we never faced any investor that said: «I want to invest because that is socially-responsible». We hear about them, but we never had any experience with them.” (Traffic)

For them, the main goal of socially-responsible investors is still to achieve the highest ROI:

“From my experience, the baseline of interest of an investor is to have a high ROI. There are also those investors more focused on environmental technologies. But, in my opinion, the main interest of an investor is this. In fact, a question usually made by investors is «how much time will I have to wait to have a return of my money?»” (Traffic)

The participants, including those that clearly do not believe in the existence of this type of investors (*Software* and *Wind*), argue that the so-called socially-responsible investors also want to gain visibility, to be “green”. They are not really interested in positively impacting the environment and/or the society:

“There is no investor, called investor, in my opinion, that would invest due to social or environmental interest. It would be called philanthropy, social action. Investment requires return, obviously higher than the investment. (...) If socially-responsible investors exist, they absolutely do it to give a positive image of themselves, of their profile, to say that they are green.” (Software)

4.2.2 Redefinition of the Value Proposition to Investors

Financial sustainability, even for socially-responsible businesses, is the main driver to attract investors, including socially-responsible investors, *“(...) it is needed to understand that these Cleantech businesses have to be economically sustainable.” (Traffic)*

Older, more experienced businesses are able to show track records from their activities, proving their financial sustainability. Therefore, these are the most demanded by investors:

“Investors value an experienced and diversified team (...). The fact that we are already in the market (...). And, we already got profits and a progressive growth. I would say this gives an idea of solid, mature and experienced company, motivating investors to invest.” (Software)

Younger businesses, however, are considered riskier investments:

“The main reason why investors are not attracted by us is the risk factor. Investors say that it is a good and innovative project, but: «does it give a return?» Our project is sustained by a business plan. But investors try to look for similar projects that are already generating high returns.” (Recycle)

Thus, in order to acquire investment, all the interviewed stated the importance of presenting positive numbers in the value proposition:

“The investor is willing to invest in order to get back a high return, thus, I have to focus my pitch on how I will make money, value my company, get more clients, etc.” (Wind)

More specifically, several aspects that investors usually are interested in, within the economic focus, were mentioned (e.g. communicating the products attractiveness for customers is important, since it influences the businesses financial situation):

“An investor analyses the companies’ financing state, business model, if the product is attractive or not, and another important factor is who the team is.” (Traffic)

For that reason, *Software* and *Wind* referred that the environmental aspect is not focused for investors that are not interested in this component, i.e., traditional investors:

“There is no sustainability aspect included in my pitches. At least, the investors I know do not have that concern about environmental sustainability. (...) Thus, I cannot include it in a pitch to investors without that concern.” (Wind)

But if the audience is interested in that sustainability claim (e.g. socially-responsible investors), all businesses agree that it is necessary to adapt the communication of their value proposition by including a sustainability claim. Even those that do not usually present the environmental aspect to their normal investors:

“We do not focus the sustainability aspect in our pitches. For Climate-KIC we are required to do it (...). We have to focus on that when pitching for them because it is an accelerator of an environmental nature.” (Software)

Still, the businesses that have the strongest environmental component (*Saver, Control, Traffic and Recycle*) always include this aspect when pitching to investors, regardless their type, even though the most emphasized aspect is the economic one:

“Our pitch for investors always contained as value proposition the environmental aspect. (...) But, for investors, our pitch is clearly more focused on positive numbers.” (Control)

In all, two types of investors emerged from our findings: traditional investors (mainly venture capitalists, only profitability-driven) and socially-responsible investors (mainly public funds, additionally requiring a sustainability claim).

Although investors are increasingly concerned in positively impacting the environment and/or the society, investors are still typically venture capitalists, and socially-responsible investors were mainly considered to be public funds (only funding businesses with an environmental and/or social focuses). However, a high economic value creation is also required – otherwise, it would be philanthropy. This is particularly true for private socially-responsible investors, although in general they are not recognized by our sample. In fact, the interests of these private socially-responsible investors are mainly economic, not investing in case the economic return does not exist, i.e., they are not really interested in positively impacting the environment and/or the society. They only invest in socially-responsible businesses because they know this is a prosperous area, leading to high ROI, or simply to show that they are “green” (besides economic return). In practice, it seems that there is no real difference between private socially-responsible and traditional investors: both types focus on economic return, always a requirement for attracting funding, which makes them tightly closed to traditional investors.

Accordingly, the value proposition that is communicated needs to be adapted when pitching to different investors (i.e. traditional vs socially-responsible). Entrepreneurs always need to focus on the businesses' economic values, even though including an environmental and/or social claim in the value proposition is also required for attracting socially-responsible investors.

4.2.3 Looking for the Right Investors

The closest businesses to pure for-profit forms (majority of the sample) mentioned that they look for investors that are able to add value to their businesses: management support, new knowledge, i.e., help developing their businesses.

“We look for an investor that besides money (to get money we go to the bank), gives us opportunities, value, stability. (...) we have to choose well our investors because these are people that will be with us for a long time (...).” (Traffic)

“We choose our investors. We look for “smart capital”, meaning investors that really add value to the business.” (Software)

From the previous statement, it is noteworthy that *Software* is able to choose its investors.

On the other hand, *Recycle* and *Saver*, the closest to pure not-for-profit forms, mentioned that they struggle to acquire investors willing to invest in their businesses:

“I searched for investors, because it is not an easy task. It is important to understand that I will face someone that is willing to invest in projects like mine, to not waste time.” (Saver)

Also, *Saver* was only funded by socially-responsible investors, mainly public, whereas *Recycle* was only funded by public funds, revealing their importance for businesses with a strong sustainability claim and lower economic aspect. However, public funds are rare. In fact, MAZE, from *Fundação Calouste Gulbenkian*, is one of the few socially-responsible investors in Portugal actually willing to invest in hybrids with a strong sustainability claim and low economic objective. Its investment portfolio reveals hybrids tightly close to pure not-for-profit forms, from which a high ROI is unlikely (almost philanthropy), thus approaching the profile of a public fund (MAZE, 2017).

Finalizing, the results show that businesses close to pure for-profit forms are more able to choose their investors. Businesses with a higher sustainability aspect (*Recycle* and *Saver*) struggle in finding investors, and public funds seem to be the most suitable in this case.

Chapter 5: Discussion

Our goal is to understand the importance of the sustainability claim in attracting funding, as well as challenges and implications for socially-responsible businesses when pitching to investors.

5.1 Initial Value Proposition

Primary Stakeholders

Our findings clearly show that founders and customers are the drivers for defining the value proposition. In fact, this is something that emerges from these two groups in what several authors call co-creation of the value proposition (Möller, Rajala, & Westerlund, 2008; Payne, Storbacka, & Frow, 2008; Vargo, Maglio, & Akaka, 2008). This is also reflected in the stakeholder theory, where these actors are primary stakeholders with the strongest influence in the businesses' activities (Ayuso et al., 2014; Waddock et al., 2002). Consequently, the initial value proposition is defined according to two main factors: business objectives and customers' interests (Figure 3a).

The selection of a market opportunity is driven by founders' motivations, i.e., based on founders' economic, environmental and/or social values. These values, beliefs and mission become the business drivers, and objectives are defined according to such vision. Founders often identify a market opportunity within such vision.

Equally important are customers' objectives, which need to be aligned with founder's vision and future growth. To this end, customer types reveal different logics. B2B markets have mainly an economic interest, with the sustainability claim used more as an add-on or for promotional purposes rather than the fundamental reason for doing business. For this type of customers, the communication of the economic benefits is the most important. Conversely, in a B2C or B2B2C markets, the sustainability claim emerges as strong as it can be used as a profitability aspect of the business. Although customers are willing to pay more for the products that are sold by businesses with an environmental and/or social impact (Dean & McMullen, 2007; Kitzmueller & Shimshack, 2012), it is still not enough to communicate the sustainability claim, even to the end consumer. End consumers are interested in direct benefits to themselves (e.g. comfort, convenience and quality) rather than benefits directed to others (such as environment).

Therefore, if sustainability is not the core driver of the business, it is not included in the initial value proposition, since it is not customers' main interest.

Venture Type

Such primary stakeholders direct the venture into different avenues. Commercial for-profit ventures with a sustainability claim (close to a pure for-profit form) have an economic objective, and the sustainability claim is secondary (if at all presented) in the initial value proposition. Not-for-profit hybrids and social enterprises (close to a pure not-for-profit form) have an environmental and/or social objective. Accordingly, their value proposition is defined from the outset as having these values as strong components.

Regardless the hybrid type, benefits for customers are always included in the initial value proposition, according to the customer type.

5.2 Redefinition of the Value Proposition to Investors

After clearly setting the goals for the businesses, most of the founders need to attract funding. At this stage, investors join the group of primary stakeholders, and their interests need to be satisfied (Ayuso et al., 2014; Waddock et al., 2002). According to the stakeholder and institutional theories, in order to receive the necessary financial resources, entrepreneurs adapt their value proposition telling stories that meet investor's expectations as well as social rules (Suchman, 1995; Zimmerman & Zeitz, 2002). In order to make an effective pitch presentation to investors, entrepreneurs need to understand investors' interests and motivations, Figure 3b.

5.2.1 Why do investors invest?

According to the interviews, investors' main interest is economic return. As a result, pitching to investors always requires that the value proposition is focused on the business healthy financial situation, clearly pointing to the creation of economic value that brings the intended ROI. Regardless the investor type, this is a requirement for all types of ventures. In fact, investors choose to invest in businesses that are able to present financial statements, preferring more experienced ventures. Therefore, a strong communication of the business financial situation is critical, especially for new, risky ventures (Antolin-Lopez et al., 2015; Lounsbury & Glynn, 2001; Martens et al., 2007; Werven et al., 2019).

The baseline of such financial situation is customers' interests and needs. Customers are essential to the existence of the business (Ayuso et al., 2014; Waddock et al., 2002). This is in agreement with the findings that suggest that investors seek to understand through the pitches

presentation if the products are attractive to customers. This means that investors are interested in knowing if the customers' needs are being satisfied with the products, directly impacting sales, and consequently the financial situation. Therefore, as investors know the importance of satisfying customers' needs to the businesses existence, it is still necessary to keep in the value proposition how these needs are satisfied.

Who is the investor in sustainable businesses?

Our findings show that different investors have specific interests, and two main types emerged: socially-responsible investors (typically related to public programs), always requiring a sustainability claim and profitability; and traditional (private, mainly venture capitalists) investors, only profitability-driven. Nevertheless, according to our results, traditional investors are, in fact, the most common nowadays.

- **Socially-Responsible Investors**

Our findings reveal two types of socially-responsible investors: private (although some scepticism about its existence was showed) and public (typical socially-responsible investor). According to the results, the main reason for private socially-responsible investors to invest in a sustainable business is to receive economic return, not being concerned with making a positive environmental and/or social impact. Thus, a strong communication of a high expected ROI for these investors is always needed to complement the initial value proposition. This finding has been previously noted in the literature (Nilsson, 2008).

Nevertheless, businesses need to consider that a sustainability claim is also always required when pitching to socially-responsible investors. In fact, literature also states that some investors are interested in socially-responsible businesses with a sustainability claim (Cheah et al., 2011; Mackey et al., 2007).

Hybrids close to pure not-for-profit forms (not-for-profit hybrids and social enterprises) already have an environmental and/or social claim in their initial value proposition; therefore, this requirement has simply to be maintained when pitching to this type of investors. Since the economic aspect of these businesses is lower than more commercially-oriented hybrids, these businesses seem to struggle when searching for funding. Thus, socially-responsible investment, especially from public funds, is particularly important to these businesses survival, but is rare. For instance, MAZE is one of the few Portuguese socially-responsible investors interested in such businesses (MAZE, 2017).

However, hybrids close to pure for-profit forms (commercial for-profit ventures with a sustainability claim) do not include this claim in their initial value proposition, since it is not a business objective. As a result, these hybrids need to add it when pitching to socially-responsible investors, which is possible since their products actually create environmental and/or social value (although not being an objective). If this claim is not included, the value proposition will not fully satisfy the interests of socially-responsible investors, agreeing with the literature (Mackey et al., 2007).

Including a sustainability claim is therefore required, but not sufficient, to attract socially-responsible investors (public and private).

- **Traditional Investors**

From our findings, traditional investors are those that only have one objective when investing, which is a high ROI, thus, a strong focus on the expected ROI is always required, agreeing with the literature (Mackey et al., 2007). These investors usually do not share the same opinion as socially-responsible investors about the future return that socially-responsible businesses offer (Nilsson, 2008; Wins & Zwergel, 2016).

Therefore, hybrids close to pure for-profit forms (commercial for-profit ventures with a sustainability claim) do not need to add an environmental and/or social claim to the value proposition for traditional investors. Similarly, hybrids close to pure not-for-profit forms (not-for-profit hybrids and social enterprises) do not need to communicate the already-included claim, although these types of hybrids usually present it, because it is a business objective (but in a weaker manner).

However, presenting an environmental and/or social claim may be used as a differentiation factor, i.e., it may be relevant to attract traditional investors if two investment options with the same characteristics (e.g., same ROI, risk and business age) are provided, but just one presents a sustainability claim. Also, it should be presented in case it is the main driver for customers to buy the product. This agrees with the literature, stating that incorporating CSR activities while maximizing profits may be the best approach to successfully engage with all stakeholders (Ayuso et al., 2014; Georgescu, 2018). Still, economic return must be guaranteed (Wins & Zwergel, 2016).

Therefore, according to our findings, the communication of a sustainability claim is irrelevant when pitching to traditional investors, unless it is the customers' main interest or a differentiation factor.

Our findings therefore suggest that entrepreneurs modify the value proposition when pitching to investors, to meet their interests and successfully receive funding. All factors that need to be considered when defining the initial value proposition, as well as its evolution when pitching to both traditional and socially-responsible investors, are presented in the conceptual model of Figure 3.

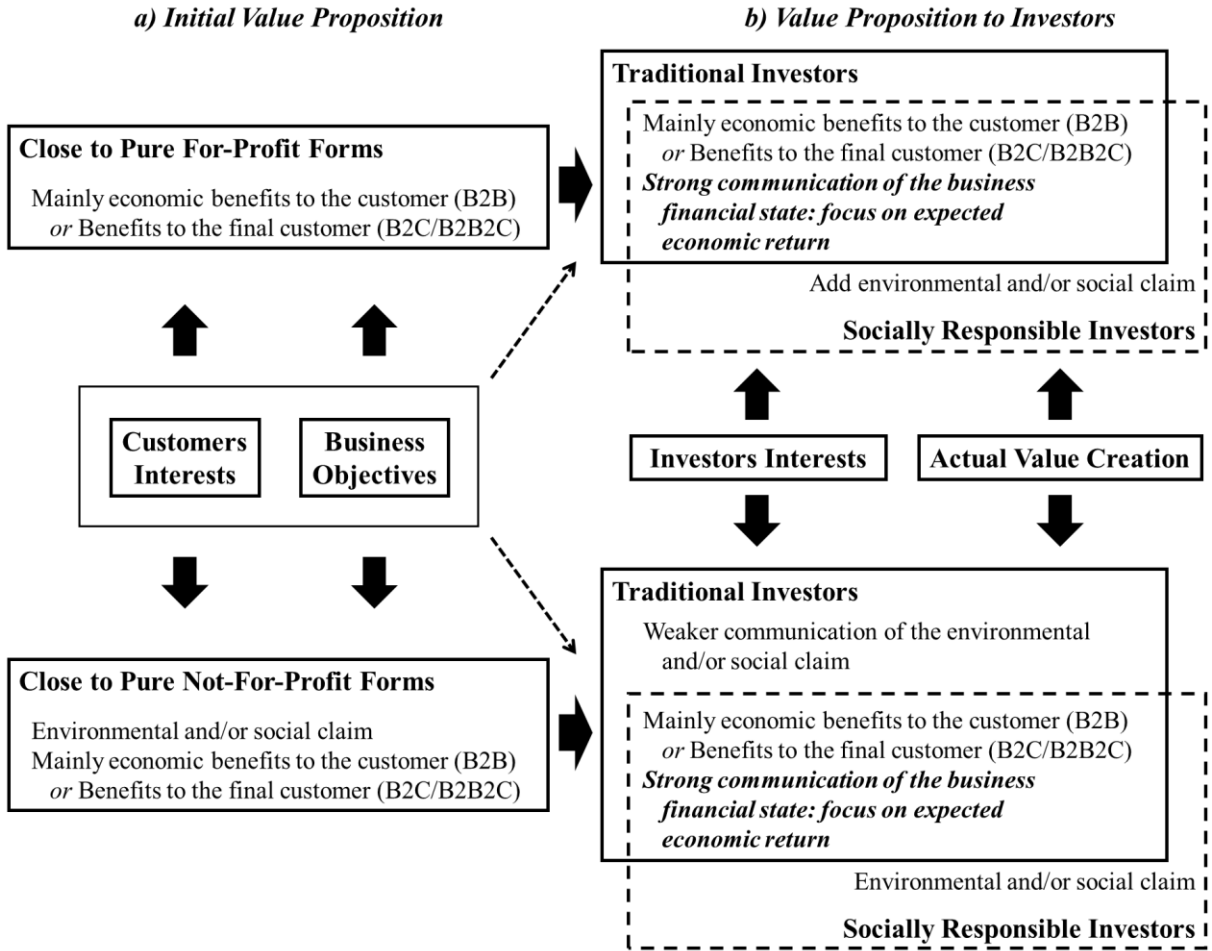


Figure 3: Conceptual Model: Factors that Influence the Definition of the Value Proposition according to Investors Type.

5.2.2 How does the communication of a sustainability claim influence investors' decision?

In all, communicating a sustainability claim does not seem to negatively influence investors' decision. In fact, socially-responsible investors always seek to make an environmental and/or

social impact, besides economic return. Therefore, the communication of a sustainability claim to these investors, especially public, is considered to be a requirement (although not sufficient).

However, attracting traditional investors only requires a high ROI. The communication of a sustainability claim is therefore irrelevant. However, communicating a sustainability claim may positively influence traditional investors' decision, only if it is the main driver for customers to buy the product or if it may be used as a differentiation factor. Otherwise, its communication has a null effect on traditional investors' decision.

5.2.3 Why do entrepreneurs choose to communicate a sustainability claim when pitching to investors?

Entrepreneurs communicate a sustainability claim when pitching to socially-responsible investors since it is a requirement to attract them. Otherwise, these investors would not invest. Socially-responsible investors thus seem to be interested in acting according to a certain socially constructed system of norms (Suchman, 1995), although our results suggest that the real interest of private socially-responsible investors is not positively impacting the environment and/or the society. However, these investors pressure businesses to have a sustainability claim, which may be perceived as a *license to operate* (Margolis et al., 2009).

On the other hand, traditional investors do not require an environmental and/or social claim since their unique interest is to obtain economic return. Nevertheless, some businesses (those with a strong environmental objective) may communicate a sustainability claim when pitching to traditional investors because it is a business objective, although it seems to be irrelevant for the majority of cases.

Chapter 6: Conclusion

6.1 Conclusions

The present research work intended to understand the impact of communicating a sustainability claim in investors' decision. Therefore, a multiple-case study was conducted on a selected sample from the Climate-KIC acceleration program, through semi-structured interviews, leading to theory-building.

Our findings suggest that businesses initial value proposition is defined taking into consideration customers' interests and hybrids objectives (according to founders' interests). In order to acquire investment and according to the stakeholder and institutional theories, this value proposition evolves, additionally including investors' interests and being consistent with social norms (communicating a sustainability claim).

However, our findings indicate that the sustainability claim is the least relevant to attract investors. Investors choose a specific business to invest mainly based on economic return, always a requirement for attracting funding. Despite the growing pressure on businesses with the purpose of tackling sustainability issues, nowadays most of investors are still venture capitalists. This is a traditional investor, only profitability-driven. Thus, the communication of a strong economic objective is still the main driver for attracting investors today. And a sustainability claim is relevant only if it may be used as a differentiation factor or when customers are interested in this claim, bringing economic benefits to the business. Sustainably-conscious consumers are mainly found in B2C markets, as the need for efficiency in industrial markets means a strong emphasis on the economic logic. Consequently, entrepreneurs modify the value proposition when pitching to investors to meet their interests, focusing economic return, while maintaining customers' interests.

Nevertheless, not-for-profit hybrids and social enterprises (the closest to pure not-for-profit forms) have a strong sustainability claim, but lower economic objective than more commercially-oriented hybrids, struggling to get investment from venture capitalists. Thus, these ventures mainly depend on public socially-responsible investors, which nowadays are still rare.

Therefore, it is possible to conclude that businesses today still need to focus their value proposition on the expected economic return, even those with a strong sustainability claim.

6.2 Academic and Managerial Implications

Due to the increasing importance of sustainability issues in the business field (Bocken, 2015; Hall et al., 2010; Joyce & Paquin, 2016), it is necessary to study how businesses are being affected and the implications for attracting investment.

From an academic point of view, this dissertation intends to contribute to the discussion on whether communicating a sustainability claim is relevant for attracting investors. In particular, a sustainability claim may be in fact considered a *license to operate* (Margolis et al., 2009) when businesses intend to be funded by socially-responsible investors, since it is an imposed restriction. However, economic return seems to be the major focus for the majority of investors – in fact, the unique focus for traditional investors, which is the most common type nowadays. Therefore, according to our results, communicating a sustainability claim does not seem to be a decisive factor for receiving funds.

There are also relevant managerial implications. Entrepreneurs need to be aware of the most important aspects to be communicated to investors, in order to receive financial resources. Thus, entrepreneurs' pitches should be focused on telling a story that is consistent with investors' beliefs and real expectations. A sustainability claim is in fact required if ventures aim to attract investment from socially-responsible investors (particularly, public funds), besides the focus on economic return. Nevertheless, entrepreneurs should note that the most expressive investment comes from traditional investors, for whom economic return is the unique requirement. In fact, the existence of private socially-responsible investors was questioned. Also, although the investment in socially-responsible businesses that addresses sustainability issues verified an exponential growth in Europe (from about 7 billion euros in 2005 to more than 148 billion euros in 2017) (Eurosif, 2018), it seems to be insufficient. Businesses with a strong sustainability claim but lower economic objective struggle to get investment. Governments should therefore incentivize investment in such businesses through, for instance, increase public funds.

Additionally, customers' interests always need to be known by entrepreneurs and highlighted when pitching to investors. In particular, a sustainability claim may positively influence the decision of traditional investors if it meets customers' interests, affecting the financial situation of the venture. Still, customers are mainly driven by the benefits that products may provide them, and not by environmental or social causes.

6.3 Limitations and Further Research

The present study has some limitations, mainly due to time constraints. Several suggestions for future work are therefore suggested.

Firstly, the sample used is composed by six participants, which is relatively low. In order to draw more generalizable conclusions, a larger sample should be used. Additionally, including not only Portuguese but also European businesses would provide a European overview on the impact of communicating a sustainability claim in investors' decisions. The comparison of this panorama with other geographical sites (e.g. North America) would be an interesting approach as well. A different method would be to select businesses from a specific industry, comparing businesses within and between industries.

Confidentiality was also a study limitation, since entrepreneurs were reluctant in providing financial information. In particular, the raised investment amounts would be of great interest to be associated with investors' types, as well as with businesses' financial situation.

Furthermore, communicating a value proposition is not enough to attract investors. The characteristics of a business (e.g. team, business plan and foundation year) were pointed as important factors. Thus, their study would provide valuable insights regarding investors' interests. For instance, since presenting a solid financial status is of utmost importance, studying the impact of communicating a sustainability claim between start-ups and well-established companies would be relevant.

Another important factor that highly influences investors' decision is customers' interests. A deeper study on how a sustainability claim affects customers' willingness to buy the products, influencing sales, is therefore pertinent.

Finally, this dissertation studied businesses' point of view of how a sustainability claim influences investors' decision. It would be of high relevance to understand investors' point of view according to their profile (e.g. age range, gender and investments background), matching both perspectives.

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Appendices

Appendix A: Interview Guide¹

INTRODUCTION

- Provide background of researcher and identify the purpose of the research.
- Describe research involvement:
 - Interview;
 - Follow-up emails or phone conversations (if needed);
 - Applicable internal reports or documents.
- Ask permission to record the interview and have informant sign consent form from you / Católica agreeing to participate in the study.
- Outline the flow of the interview.
 1. How old is your startup?
 2. What is the market of your startup? Is it a cleantech startup?
 3. In which stage of the start-up life cycle is your start-up (e.g., development stage; commercialization stage)?

SECTION ONE [Start-up Background]

I would like to know more about how your business started:

1. Why did you start your venture? What would you say was the main idea behind it?
2. What was the main value/benefits you offered to your customers? At that time what value did you communicate to customers?
 - Was that the main reason that drove the customers' willingness to pay (WTP)?
 - What is the main interest of customers?
 - What is the main value your start-up brings to the society?
3. Being one of the start-ups of Climate-KIC program means that your start-up is required to have a sustainability claim/cleantech approach. Tell me more about such approach, i.e., about the sustainable side of your business.
 - Would you say that this was why you started your business? [understand the sustainable vs economic purpose]

¹ This interview guide was directly translated from Portuguese.

4. On a scale from 1-10 how much do you rate the degree to which your start-up followed:
- Environmental;
 - Social;
 - And, economic value creation objectives?

SECTION TWO [Investment Stage]

Now I would like to hear about your experience in getting funds:

1. Did you get funding from investors?
2. How much money have you raised through investors until now?
3. When you started pitching to investors, what was your main claim?
4. From your experience, what is typically the main interest of investors?
5. Does it depend on the type of investors?
 - If yes, for example, what about the interests of traditional investors?
 - And socially-responsible investors?
6. When you started looking for investors did you look for specific types of investors?
Can you tell me a bit about them?
 - In that quest have you for example searched for an investor that prefers to invest in start-ups with a socially-responsible behaviour, or an investor that prefers a profit maximization objective?
 - Have you felt you were pitching to different investor types?
 - i. If not, why not?
 - ii. If so, can you explain me what were those differences?
7. Have investors changed their mind through time? How?
 - If yes, both types of investors? How?

SECTION THREE [Investor type]

Now I would like to know more about the changes in your pitch:

1. Which type of investors is usually more interested in investing in your start-up (e.g. socially-responsible investors; traditional investors; other)?
 - Are these investors the ones that invested in your business?

2. What aspects of the business were you emphasizing in the early days (before receiving funding)? Which aspects have you emphasized in your first pitch?
 - If your business could be told in as a story, what story would you tell to investors? And where was the sustainability claim? [understand where the sustainability claim was, eventually insert a scale from 1 to 7]
3. Which feedback have you received from investors?
4. Have any of the aspects of your pitch changed since the first pitch to the one that got funding? If yes, can you explain me which ones? [probe specifically for the sustainability claim in the last pitch, eventually insert a scale from 1 to 7]
 - At this moment, has the story you told me before changed? How and why?
5. What was the crucial aspect of your start-up that made investors to invest?
 - What about your sustainability claim? Was it a key aspect to receive funding?
6. At the moment of getting funding, on a scale from 1-10 how much do you rate the degree to which your start-up followed:
 - Environmental;
 - Social;
 - And, economic value creation objectives?
7. According to your experience, tell me more about the process of getting funding.
8. Regarding all the funding processes you have passed through, do you modify your pitch from process to process? Why?

Before leaving ask if they could share pitches to investors.

Appendix B: Summary of Interviews

All these interviews were recorded after being permitted by the interviewees. Then, interviews were transcribed on the exactly same day with the purpose of starting to understand each business case. The following table summarizes the interviews.

Case	Foundation Year	Interviewee	Date	Duration	Method
Wind	2014	CEO and Co-Founder (male)	15.11.2019	30 min	Phone Call Interview
Recycle	2017	CEO and Co-Founder (male)	19.11.2019	55 min	Skype Interview
Traffic	2018	CEO and Co-Founder (male)	29.11.2019	31 min	Google Meet Interview
Saver	2015	Managing Director and Founder (male)	28.11.2019	39 min	Skype Interview
Control	2017	COO and Co-Founder (female)	29.11.2019	33 min	Skype Interview
Software	2013	Chief Strategy Officer (male)	28.11.2019	32 min	Skype Interview