seizmic

Funded by
the European Union

Aligning Impact Capital for Social Enterprise Scaling: A Research for the European Impact Investing Ecosystem

A Report from the *seizmic* Doctoral Network



Work Package 3 | Research Report | October 2026

Report Information

Project
seizmic **-** Scaling Social Entrepreneurship and Innovation: Zooming in on Multidisciplinary Interconnected Challenges (www.seizmic.eu/MSCA)

Funding
This project has received funding from the European Union's Horizon Europe research and innovation programme under the Marie Skłodowska-Curie Doctoral Networks (MSCA-DN), project number 101169098.

Lead organisation
Copenhagen Business School (CBS)

Beneficiaries
Aalborg University (AAU)
Copenhagen Business School (CBS)
ESCP Business School (ESCP)
University of Iceland (UI)
University of Innsbruck (UIBK)
University of Naples Federico II (UNINA)
Universitat Rovira i Virgili (URV)
Université Paris-Est Créteil (UPEC)
V. N. Karazin Kharkiv National University (KNU)

Title
Aligning Impact Capital for Social Enterprise Scaling: A Research for the European Impact Investing Ecosystem

Authors
Elizaveta Petrovskaia, PhD fellow at University of Iceland
Zhihui Chen, PhD fellow at Universitat Rovira i Virgili
Lisa Pramann, PhD fellow at Copenhagen Business School
Bao Toan Le, PhD fellow at Aalborg University
Xiaoni Li, Associate professor at Universitat Rovira i Virgili
Kai Hockerts, Professor at Copenhagen Business School

Contact
Ricky Celenta, seizmic Project Manager – rc.msc@cbs.dk
www.seizmic.eu/seizmic-msca

Disclaimer
Views and opinions expressed are those of the authors only and do not necessarily reflect those of the European Union or the European Research Executive Agency (REA). Neither the European Union nor the granting authority can be held responsible for them.

Acknowledgments

The authors would like to express their sincere gratitude to the following organizations for their valuable collaboration and support during the research phase of this report: **KLAK – Icelandic Startups** (Reykjavík, Iceland), **MIT Solve** (Cambridge, MA, USA), and **PHINEO gemeinnützige AG** (Berlin, Germany).

Editorial Note

This report integrates the findings of four individual literature reviews developed by the doctoral candidates within Work Package 3, "Impact Investing for Social Entrepreneurship Scaling ", of the seizmic Doctoral Network. At the time of writing, these literature reviews have been submitted to peer-reviewed journals and are currently under review. As the report builds upon and synthesises insights generated through these reviews, references to the corresponding manuscripts are included in the reference list as unpublished works and should be considered provisional. As they are accepted for publication the seizmic MSCA project webpage (www.seizmic.eu/MSCA) will be updated with the correct information.

Pramann, L. (2026). ***Leveraging markets, changing systems: A review and typology of four impact investing strategies*****. [under review].**
This systematic literature review examines how impact investors pursue social and financial objectives through different investment strategies. It develops a typology of impact investing strategies based on investors' system-level ambitions, demonstrating how motivations, return expectations, and investment approaches shape investment relationships and influence broader social change.

Petrovskaia, E., Torfason, M. Þ., & Hockerts, K. (2026). ***Mission drift and impact fidelity under investment: A multilevel synthesis of social enterprises. [under review].***
This systematic literature review signalling synthesises research on mission drift and impact fidelity in social enterprises receiving impact investment. It identifies the multilevel drivers of mission drift across individuals, organisations, and ecosystems, examines how these risks evolve throughout the investment lifecycle, and proposes governance, measurement, and stakeholder engagement mechanisms to preserve social mission while scaling.

Chen, Z., & Li, X. (2026). ***Impact investing and social enterprise scaling. [under review].***
This systematic literature review examines how different impact investing instruments support social enterprise scaling. It analyses the mechanisms through which financing instruments enable scaling up, scaling out, and scaling deep, while identifying the opportunities, risks, and mitigation strategies associated with each pathway to help practitioners align financing choices with organisational growth and impact objectives.

Le, T. B., & Damberg, S. (2026). ***Unpacking Voice and Power in the Impact Investing Ecosystem for Social Impact: A Systematic Literature Review. [under review].***
This systematic literature review synthesises 79 studies to examine how actors within the impact investing ecosystem interact to jointly pursue social and financial objectives. It identifies key interaction patterns, associated outcomes, and the relational mechanisms shaping collaboration, proposing a typology based on the concepts of voice and power from stakeholder engagement theory to explain why similar interactions produce different outcomes. The review advances an ecosystem-level perspective on impact investing and offers practical guidance for strengthening collaboration and managing tensions among ecosystem actors.

Table of Contents

Report Information i
Acknowledgments ii
Editorial Note iii
List of Tables v
List of Figures v
Summary 1
Understanding Impact Investing 2
A simplified investment lifecycle 2
The Impact Investing Ecosystem 3
How the Ecosystem is Being Nurtured 4
Designing Successful Impact Investment Relationships 6
An Overview of Impact Investing Instruments 7
Financing Social Enterprise Scaling 11
Individual impact investing -Crowdfunding 11
Social Impact Bonds 12
Venture Philanthropy 13
Blended Finance 14
Developmental Finance Institutions Investing 14
Current Challenges and Mitigation Strategies 18
Accounting For Financial Risks and Returns 18
Managing Risks of Scaling and Preserving Mission 18
Ecosystem Actors' Coordination to Mitigate Misalignment Risks 21
Sustaining Mission Continuity: Warning Signs and Safeguards to Prevent Mission Drift 23
Recommendations 25
References 26
AI Transparency Statement 30
About the Authors 31

List of Tables

Table 1. Selected National Advisory Boards and Impact Investing Organisations in Europe 4
Table 2. Key alignment questions for investors and social enterprises at the pre-investment stage 7
Table 3. Overview of impact investment instruments 7
Table 4. The mechanisms of social enterprises scaling 9
Table 5. Characteristics of Impact Investing Instruments for social enterprise scaling 16
Table 6. Identification and mitigation for Scaling up mechanisms 19
Table 7 . Identification and mitigation for Scaling out mechanisms 20
Table 8 . Identification and mitigation for Scaling Deep mechanisms 21
Table 9. Warning signs and safeguards for mission drift in impact investing 24

List of Figures

Figure 1: A simplified impact investing lifecycle 3
Figure 2: The European impact investing ecosystem and its key actors across levels 5
Figure 3: Crowdfunding and social enterprise scaling 12
Figure 4: Social Impact Bonds and social enterprise scaling 13
Figure 5: Development Finance Institutions Investing and social enterprise scaling 14

Summary

This report synthesises four complementary literature reviews produced via the EU-funded seizmic **Marie Skłodowska-Curie Actions (MSCA) Doctoral Network** (www.seizmic.eu/MSCA) into a practical framework for impact investing and social enterprise scaling. It translates the findings of four MSCA doctoral researchers into practical guidance for investors newly entering the impact investing arena, as well as social enterprises, intermediaries, and policymakers seeking to support impact scaling. Drawing primarily on academic literature, it synthesises a robust body of theoretical and empirical evidence into a comprehensive practitioner-oriented overview. Each literature review contributes a distinct perspective to this report.

- The first examines **impact investor objectives**, showing how motivations, return expectations, and investment strategies shape investment relationships.
- The second analyses different **impact investment instruments**, assessing their suitability for different enterprises and stages of development.
- The third investigates **social enterprise scaling**, exploring how financing arrangements support different scaling pathways while highlighting their organisational challenges.
- The fourth examines **governance, beneficiary voice, impact measurement, and mission drift**, identifying mechanisms that help preserve mission.

Together they show that impact investing is a **system of relationships** involving investors, social enterprises, beneficiaries, intermediaries, and policymakers. Success depends on aligning investor objectives, financing instruments, governance structures, impact measurement, and scaling strategies around a shared understanding of impact. When these elements become misaligned, investment relationships risk mission drift, inappropriate scaling, excessive reporting burdens, and narrow forms of impact measurement that undermine outcomes.

The report is aimed at European investors and social enterprises newly entering the impact investing arena and having to negotiate impact investment relationships, while also providing practical guidance for intermediaries, foundations and policymakers seeking to strengthen Europe's evolving impact ecosystems.

Five **key recommendations** emerge from the synthesis:

1. **Match financing instruments to the enterprise's intended scaling pathway**, rather than relying on standard investment models.
2. **Assess investor-enterprise fit** as carefully as financial terms before accepting investment.
3. **Embed mission protection** through governance arrangements, contracting, and impact measurement.
4. **Strengthen ecosystem infrastructure**, including shared institutions, data, and learning mechanisms that support long-term alignment.
5. **Develop enabling policy frameworks** that recognise the diversity of impact investing practices while promoting credible and context-sensitive impact measurement.

By integrating four literature reviews into a single practitioner-oriented framework, this report argues that the future of impact investing lies in designing investment relationships that remain aligned with social purpose throughout the investment lifecycle.

Understanding Impact Investing

Impact investing refers to investments made with the explicit intention of generating positive and measurable social or environmental impact alongside a financial return. The contemporary field of impact investing can be traced to two meetings convened by the Rockefeller Foundation at its Bellagio Center on Lake Como in 2007 and 2008. Led by Rockefeller programme director Antony Bugg-Levine, the meetings brought together pioneering investors, foundation representatives, philanthropists, social entrepreneurs, development-finance specialists, and advisers who were already experimenting with investments that combined financial returns with social or environmental objectives (Bugg-Levine & Goldstein, 2009). Three features are central: **intentionality**, meaning that impact is deliberately incorporated into the investment strategy; **financial return**, which distinguishes impact investing from conventional philanthropy; and **impact measurement and management**, which assesses whether intended outcomes are being achieved (Höchstädter & Scheck, 2015; Hockerts et al., 2022; GIIN, 2024).

Impact investing covers a broad range of investors, enterprises, financial instruments, return expectations, and impact objectives. Following Hockerts et al. (2022) we differentiate between idealist impact investors that accept lower or more patient returns in exchange for greater social or environmental impact, and arbitrage impact investors that see opportunities to achieve market-rate financial returns and in some cases to even exceed these.

The four reviews underlying this report show that capital may be provided through equity, debt, guarantees, blended finance, social impact bonds (##refs##), venture philanthropy, or other structures. What connects these approaches is that financial and impact objectives are considered together when investments are selected, structured, governed, monitored, and eventually exited.

Impact investing is therefore more than investing in businesses that happen to produce positive effects. It differs from conventional responsible or ESG investing, which often focuses primarily on reducing environmental, social, and governance risks within otherwise traditional investment strategies. In impact investing, contributing to a defined social or environmental outcome is an explicit objective. However, investors and social enterprises may understand impact, acceptable returns, risk, and measurement differently. A shared understanding of these elements is therefore an essential first step in building an effective investment relationship.

A simplified investment lifecycle

Figure 1 illustrates a simplified lifecycle of impact investing, capturing the key stages in which impact investors and social enterprises interact. Moving from left to right, the lifecycle begins with *before the deal*, where investor and enterprise objectives are aligned, the pipeline is screened, and financing instruments are designed. This is followed by *closing the deal*, covering due diligence, governance setup, and contracting with appropriate safeguards. The third stage, *managing the investment*, encompasses ongoing monitoring and reporting, ecosystem engagement, and scaling decisions. Finally, *beyond the deal* addresses exit, mission continuity, and ongoing stewardship. Together, the four stages highlight how financial and social or environmental value is jointly created and sustained through collaboration between investors and enterprises. This report examines critical elements across each stage, with particular

attention to the conditions, instruments, and governance arrangements that shape whether impact investing achieves its intended outcomes.

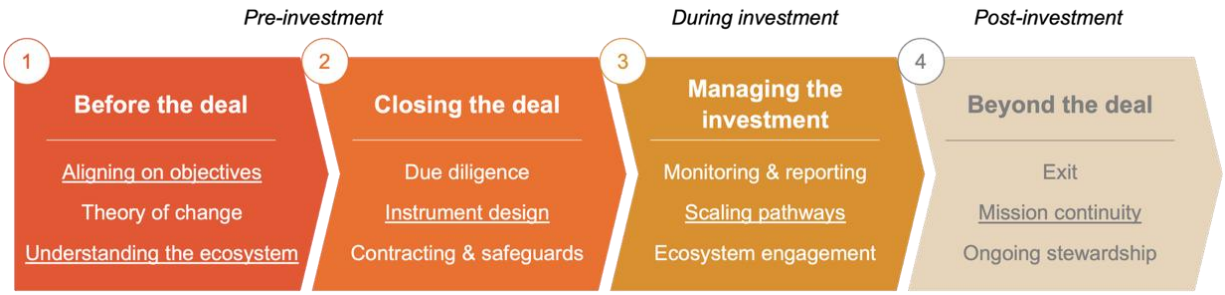


Figure 1: A simplified impact investing lifecycle (adapted from Pramann, 2026).

The Impact Investing Ecosystem

To make sense of how impact investing actors and processes connect in practice, Le and Damberg (2026) conceive of impact investing as part of a broader ecosystem operating across multiple levels. Impact investing is a network of capital providers, intermediaries, capital recipients, ultimate beneficiaries, public institutions, and other actors (Acevedo & Wu, 2018), all collaborating to achieve impact and financial returns. At its best, impact investing behaves like a coordinated system, where the diversity of actors, coherence of purpose, and intentional coordination generate momentum and resilience. A vibrant impact investing ecosystem (Roundy, 2020) should be shaped by alignment, trust-building, and the continuous negotiation of what impact truly means in practice.

Due to its complex nature and hybrid goals of creating impact alongside financial returns, unpacking the impact investing ecosystem becomes especially useful, as it helps practitioners see the bigger picture: who the key actors are, how they interact, collaborate, mobilise resources, and how capital flows between them. It supports understanding how investment decisions are made, both formally based on standards and contracts, but also informally, influenced by relationship ties or power dynamics.

Europe's impact investing ecosystem encompasses a diverse and increasingly interconnected set of actors. On the capital supply side, institutional investors, including pension funds and insurance companies, as the primary capital contributors. Together they represent around 28% of assets under management in European private impact markets, while venture capital and private equity funds account for a further 40% (European Impact Investing Consortium, 2024). Public institutions in particular play a structurally important role. The European Investment Fund has committed €724 million to social investments in 2025 alone, channelling capital through intermediaries to social enterprises and impact-driven businesses (EIF, 2025).

Intermediaries, impact fund managers, social banks, crowdfunding platforms, and advisory bodies (Acevedo & Wu, 2018) sit at the connective tissue of the ecosystem, translating investor mandates into deployable capital and providing investees with non-financial support. On the demand side, social enterprises and mission-driven organisations form the primary capital recipients (Acevedo & Wu, 2018), operating across sectors from clean energy and healthcare to financial inclusion and employment.

In terms of regional distribution, the UK, the Netherlands, and France lead the European market in terms of assets under management, supported by well-established investor communities and

active intermediary networks (GSG Impact, 2024). Other European emerging investment markets, such as Ukraine and Portugal, are building their own ecosystems (Bukharina & Onyshchenko, 2019; Christopoulos et al., 2024), though financing gaps and capacity constraints remain significant.

How the Ecosystem is Being Nurtured

Building and sustaining this ecosystem requires deliberate effort across multiple fronts. Leading impact funds increasingly treat knowledge as a shared resource, engaging through peer learning communities, thematic coalitions, and policy platforms to coordinate investments and amplify collective action (Impact Europe, 2025).

New impact funds have been launched across European countries, designed to support social enterprises that struggle to raise sufficient capital independently (Impact Europe, 2024). To support these funds, National Advisory Boards (NABs) are now active in over a dozen European countries, providing coordinated platforms for aligning stakeholders around shared priorities.

Table 1. Selected National Advisory Boards and Impact Investing Organisations in Europe

National Advisory Board (NAB)	Country	Website
The Netherlands Advisory Board on Impact Investing	The Netherlands	https://www.nabimpactinvesting.nl/
SpainNAB	Spain	https://spainnab.org/en/
The Swedish National Advisory Board for Impact Investing	Sweden	https://www.theswedishnab.com/work
Social Impact Agenda per l'Italia	Italy	https://www.socialimpactagenda.it/
Impact Investing Institute	The UK	https://www.impactinvest.org.uk/
German Federal Association for Impact Investing	Germany	https://bvii.org/

Shared data infrastructure and common measurement frameworks are increasingly recognised as equally important. No single investor or enterprise can solve the impact measurement puzzle alone, but collective approaches to pooling evidence and harmonising methodologies are beginning to make systemic impact measurement tractable. These approaches involve two activities that require all actors in the ecosystem to collaborate (Le & Damberg, 2026). The first is co-designing what to measure, in which investors, enterprises, and standard-setters have agreed on shared metrics and reporting norms. For instance, the GIIN's IRIS+ catalogue and core metric sets were developed through working groups and open public consultation. Impact Frontiers' reporting norms were built in the same consultative way and encourage reports that reflect the voice of affected communities. The second is co-measurement. This means that investors and intermediaries should share the burden of measuring impact metrics with enterprises as many of them lack capacity to collect impact data themselves. 60 Decibels is an example; it surveys an enterprise's customers on its behalf and compares results with peers in the same sector, while

networks such as Impact Frontiers run training and pilot programmes with regional partners to help fund managers apply common norms. Together, these efforts reflect a broader recognition that impact investing ecosystems do not emerge spontaneously: they require ongoing investment in trust, infrastructure, and the shared frameworks that make collaboration between diverse actors possible.

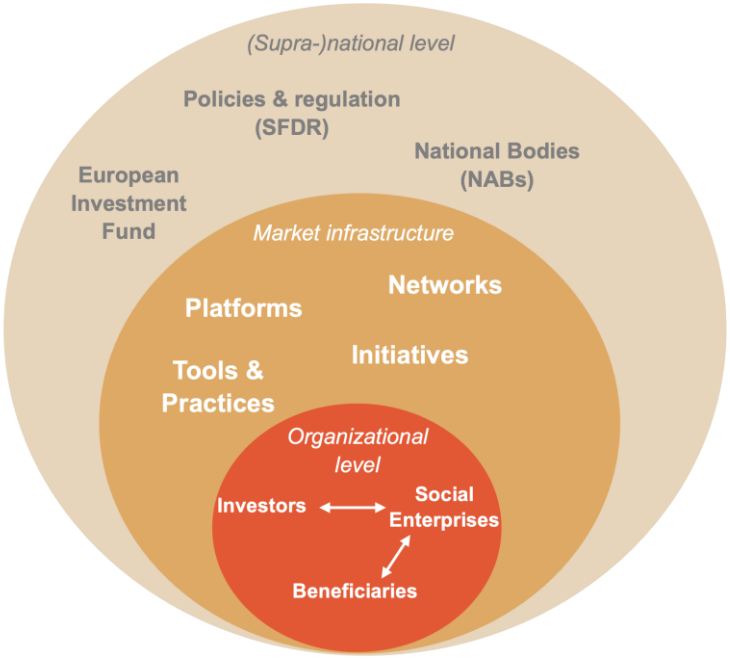


Figure 2: The European impact investing ecosystem and its key actors across levels (adapted from Le & Damberg, 2026 and Pramann, 2026).

In practice, however, these dynamics are not as straightforward. Our review of the literature shows that some actors, such as investors, NABs, and sometimes intermediaries, tend to have more power (Le & Damberg, 2026; Casasnovas & Jones, 2022). Meanwhile, others, such as social entrepreneurs and beneficiaries, often have less formal power, while they are the ones closest to the problem and the ones who ultimately turn ideas into real impact on the ground (Le & Damberg, 2026; Casasnovas & Jones, 2022). This imbalance of power creates an inherent tension in how relationships are built and how coordination across actors works. In a well-balanced ecosystem, stronger actors help channel resources and set enabling structures, while simultaneously remaining responsive to feedback from those closer to implementation. However, when these feedback loops are weak or uneven, misalignment can emerge between capital allocation, measurement frameworks, and on-the-ground realities of impact creation.

Designing Successful Impact Investment Relationships

Understanding and aligning objectives, motivations, and trade-offs of impact investors is central for both investors and social enterprises. For investors, these objectives guide capital allocation and portfolio construction decisions. For social enterprises, they shape how ventures position themselves, design their business models, and communicate with potential funders.

In particular, social enterprises must align their value proposition not only with impact ambitions but also with investors' financial expectations, risk tolerance, and time horizons. Knowing what impact investors want and what drives their decisions matters as much for social enterprises as it does for investors themselves.

For investors, objectives guide how their capital is allocated. For social enterprises, they shape how ventures position themselves, design their business models, and make the case to funders.

A useful starting point is the distinction between asset owners and asset managers. Asset owners provide the capital and set the overall investment direction. Asset managers raise and deploy that capital, translating objectives into concrete investment decisions. While alignment between both is critical, their incentives and accountability structures do not always point in the same direction (Evans, 2013; Islam, 2023).

Impact investors pursue a range of objectives that go beyond financial return and social or environmental impact. Risk appetite, time horizon, and reputational or strategic goals all play a role, and these vary significantly across investor types. Foundations and development-oriented investors may accept below-market returns to pursue specific impact goals, while more commercially oriented investors prioritise risk-adjusted performance. Objectives are also shaped from the outside: regulation, market maturity, and societal expectations define what types of investments are considered feasible and legitimate. This diversity indicates that tensions are intrinsic to impact investing rather than being exceptional occurrences.

Trade-offs between financial return and impact, between short-term performance and long-term change, and between measurable outputs and more transformative ambitions are continuously negotiated through investment decisions, governance arrangements, and the ongoing relationship between investors and social enterprises (Doherty et al., 2014).

Building on this, Pramann (2026) identifies four investor strategies that differ in what and how system-level change is approached: portfolio-building strategies target impact within specific sectors; field-building strategies aim to shape shared standards and practices; market-level prototyping strategies seek to demonstrate financial viability to attract mainstream capital; and experimental pioneering strategies pursue disruptive change, often accepting higher risk or concessionary returns.

Together, these illustrate that impact objectives differ not only in intensity but also in their underlying logic, ranging from working within existing market structures to actively reshaping them. Table 1 offers guiding questions for investors and social enterprises to create transparency on different objectives before the deal. Aligning those objectives shapes the choice of financial instruments and ultimately influences investors' and social enterprises' ability to achieve and scale impact.

Table 2. Key alignment questions for investors and social enterprises at the pre-investment stage (adapted from Pramann, 2026).

	Investors	Social Enterprises
Financial	What financial return is needed, and by when?	What return can realistically be offered, and on what timeline?
Impact	What social or environmental outcomes are being targeted?	Does our mission match what this investor is trying to achieve?
Risk	How much risk is acceptable in pursuit of impact?	Can we absorb the reporting and accountability requirements this investor expects?
Scaling	Is this investment working within existing markets or trying to change them?	Are we looking to scale within our sector or contribute to broader system change? How does our scaling pathway looks like (see table 3)?
System change	Does this investment contribute to system-level change and if so, of what kind?	Does partnering with this investor strengthen or constrain our ability to achive set goals like driving change?

An Overview of Impact Investing Instruments

Impact investing is not one investment model, but instead it is a diverse set of financial instruments. The field is primarily structured around seven instruments: individual impact investing: crowdfunding (CF), venture philanthropy (VP), social impact bonds (SIBs), development finance institutions investing (DFII), blended finance, public sector impact investing and social venture capital (SVC) (see Table 2).

Table 3. Overview of impact investment instruments (adapted from Chen & Li, 2026).

Instruments	Definitions	Examples
Venture Philanthropy (VP)	VP is an innovative funding model that combines the principles of philanthropy and venture capital, with a core strategy of supporting social enterprises or nonprofit organisations through a "funding plus managerial support" approach (Defourny et al., 2016; Scarlata et al., 2015; Avci, 2021; Roberts, 2022).	European Venture Philanthropy Association
Social Venture Capital (SVC)	SVC is a form of venture capital that provides funding to social enterprises, in which investors require financial returns while pursuing positive social impact (Miller & Wesley, 2010).	Acumen Fund, Roberts Enterprise Development Fund (REDF)

Social Impact Bonds (SIBs)	SIBs are a public service financing mechanism based on a "pay-for-success" model. They provide upfront funding for social intervention projects through private capital, with government payments contingent upon the achievement of pre-agreed social outcomes. This mechanism typically involves multiple stakeholders, including governments, service providers, investors, and intermediaries. It aims to address complex social issues through market-based financing while improving public service efficiency and transferring part of the risk from the public sector to the private sector. (Fraser et al., 2018; El-Sayed, 2025).	Peterborough Prison Social Impact Bond Rotterdam Social Impact Bond
Development Finance Institutions Investing (DFII)	DFII refers to capital deployment by government-backed financial institutions in developing regions, aiming to balance moderate financial returns with broader socio-economic development objectives in high-risk markets (Kenny, 2019; Attridge & Gouett, 2021).	European Bank for Reconstruction and Development European Investment Bank Netherlands Development Finance Company British International Investment
Individual impact investing	Individual impact investing refers to the allocation of capital by individual investors into projects or enterprises that aim to generate both financial returns and positive social or environmental impact. Crowdfunding (CF) represents one of the most prominent forms of individual impact investing (Belleflamme et al., 2010; Hoque, 2024).	LITA.co Ener2Crowd Goteo
Public Sector Impact Investing	Public sector impact investing refers to investment activities initiated or supported by governments or public institutions through financial backing, policy instruments, or collaborative mechanisms, with the dual aim of generating social benefits and ensuring financial sustainability (Borrello & Zaffaroni, 2015).	EFSI Social Impact Investing Pilot k
Blended Finance	Blended finance refers to the strategic use of development finance to mobilise additional finance towards sustainable development in developing countries. Development finance refers to official development finance and private philanthropic funds, while additional finance refers to commercial finance from both public and private sources whose primary purpose is commercial rather than developmental, such as investments from pension funds, insurance companies, banks, and businesses (OECD,2018).	

These financial instruments do more than just structure capital, as they significantly affect the scaling pathways of social enterprises. Building on the current literature, three widely used scaling types are discussed: (1) scaling up, where solutions influence policies, institutions, and systems to enable broader structural change; (2) scaling out, where proven models are replicated and expanded across new geographic areas to reach a broader range of communities and beneficiaries; and (3) scaling deep, where changes go beyond quantitative growth to focus on reshape values, norms, ways of thinking, and behaviours of individuals, communities, and the broader societal culture (Riddell & Moore, 2015). Table 3 provides an overview.

Table 4. The mechanisms of social enterprises scaling (adapted from Chen & Li, 2026).

Scaling Types	Mechanisms
Scaling Up	**Policy or legal change efforts** • Engage in policy development • Partnering, and advocacy **Undertaking industry development work** • Establish a new industry • Mature a nascent industry **Legitimacy building** • Engaging in policy dialogue • Obtaining certifications or awards • Establishing partnerships with key institutional actors • Enhancing credibility through transparency and professional standards **Developing infrastructure for the benefit of other actors in the ecosystem** • Developing a welfare-enhancing technology • Providing open-source materials • Developing ICT infrastructure **Acquiring additional resources** • People • Funding • Physical assets
Scaling Out	**Spreading principles** • Co-generation of knowledge • Leveraging social media and learning platforms: “open scaling.” **Establishing contractual partnerships** • Dissemination • Affiliation • Licensing • Franchising • Branching **Give priority to serving disadvantaged groups**

	Organisational growth • Providing new products or services • Offering products or services to new target groups • Achieving geographic expansion • Acquisitions or mergers with other organisations
Scaling Deep	**Invest in transformative networks and communities of practice** • Building Communities of Practice • Building community cohesion through social capital **Spreading big cultural ideas and reframing stories to change beliefs and norm** • Learning communities Distributed learning platforms **Capacity building** • Enhancing organisation's efficiency • Enhancing organisation's productivity • Enhancing administrative and programme-related performance

Financing Social Enterprise Scaling

Individual impact investing -Crowdfunding

Social enterprises can CF to achieve Scaling Up, Scaling Out, and Scaling Deep. From a Scaling Up perspective, crowdfunding enables social enterprises to achieve scaling through Acquiring Additional Resources and Legitimacy Building.

In terms of Acquiring Additional Resources, first, the digital nature of CF platforms overcomes the limitations of traditional offline fundraising in terms of reach, enabling projects and social missions to be disseminated to a broader audience and helping social enterprises connect with a broader pool of potential supporters (Orero-Blat et al., 2025).
Second, crowdfunding typically has a low barrier to entry, allowing even social enterprises in the early stages of development to directly present their projects to the public and raise funds, thereby securing more financial resources (Maymoni & Solodoha, 2025).
In terms of Legitimacy Building, crowdfunding platforms typically conduct due diligence before a project officially launches and require social enterprises to regularly disclose project progress (Hopp et al., 2025; Carè et al., 2025). This enables social enterprises to demonstrate their social mission, project activities, and social impact with greater transparency, thereby enhancing public and potential investors' trust in and recognition of the organisation.
In addition, CF can help social enterprises attract supporters and funders who share their values, thereby building a stable community of supporters and further strengthening their legitimacy.From a Scaling Out perspective, crowdfunding enables social enterprises to achieve scaling through Offering Products or Services to New Target Groups and Establishing Contractual Partnerships.
In terms of Offering Products or Services to New Target Groups, social enterprises can leverage CF platforms to gather feedback from potential users in the early stages of a project, thereby better identifying market needs, optimising products and services, and expanding their reach to new target groups (Neuhofer, 2016; Semrau et al., 2016).
In terms of Establishing Contractual Partnerships, social enterprises can leverage the interactivity of CF platforms to maintain ongoing engagement with stakeholders, such as supporters and potential customers, thereby showcasing their social mission, product value, and organisational capabilities, and strengthening stakeholders' trust in the organisation (Hussain, 2025). This ongoing interaction helps convert some early supporters into long-term customers, partners, or resource providers, thereby establishing more stable contractual partnerships (Moss & Lloyd, 2019).
From a Scaling Deep perspective, crowdfunding enables social enterprises to achieve scaling through Building Communities of Practice and Capacity Building.
In terms of Building Communities of Practice, CF helps social enterprises scaling deep by strengthening community cohesion and fostering collaboration among members. First, CF attracts supporters who share the values and social mission of social enterprises, bringing together community members with common values and strengthening members' connections and sense of belonging, thereby enhancing community cohesion (Dinh et al., 2024).

Second, CF platforms provide community members with opportunities to share knowledge, experiences, and resources such as time and skills; through these platforms, collaborative relationships among members are strengthened (Hoque, 2024; Chandna, 2022).
In terms of Capacity Building, on the one hand, by leveraging the digital nature of CF platforms, social enterprises can quickly obtain market feedback and promptly optimise their products, services, and operational models, thereby enhancing their digital capabilities and responsiveness to market needs.
On the other hand, compared to some traditional financing methods, CF does not directly intervene in the day-to-day operations of social enterprises; therefore, while receiving financial support, social enterprises can still maintain a high degree of autonomy and control, thereby strengthening their capacity for self-development (Comite, 2018).

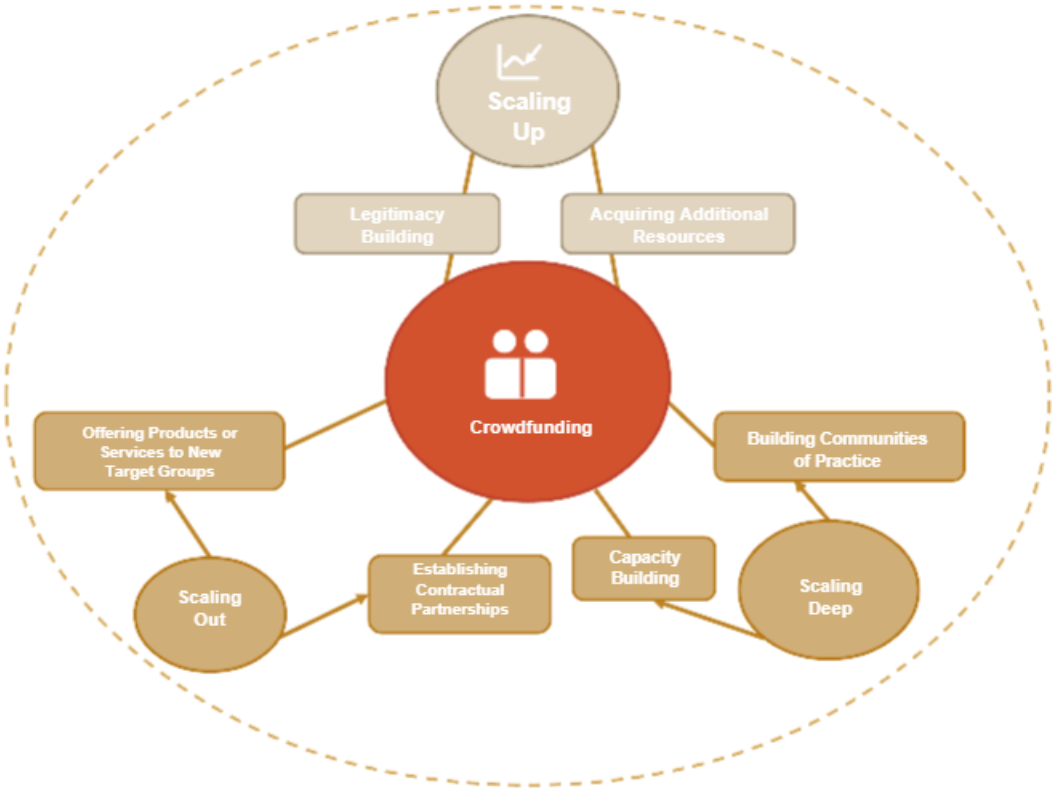


Figure 3: Crowdfunding and social enterprise scaling (adapted from Chen & Li, (2026).

Social Impact Bonds

Social enterprises can utilise SIBs to achieve Scaling Up through Legitimacy Building and Acquiring Additional Resources. In terms of legitimacy building, SIBs can enhance the organisational legitimacy of social enterprises through their financing structure. As a government-led public service financing mechanism, SIBs involve multiple stakeholders, including government agencies, social enterprises, external investors, and professional intermediaries (Fraser et al., 2018). This multi-stakeholder structure enables social enterprises to establish stable relationships with these stakeholders and gain broader recognition and support, thereby enhancing their organisational legitimacy (Patetta et al., 2024).

In terms of Acquiring Additional Resources, SIBs use a financing model in which investors provide upfront funding and governments pay returns based on project performance to channel private capital into high-social-impact, high-risk projects that would otherwise struggle to secure financing, thereby opening up new funding channels for social enterprises facing financing constraints. At the same time, the involvement of multiple stakeholders helps social enterprises expand their financing and partnership networks, thereby enhancing their ability to secure additional resources.

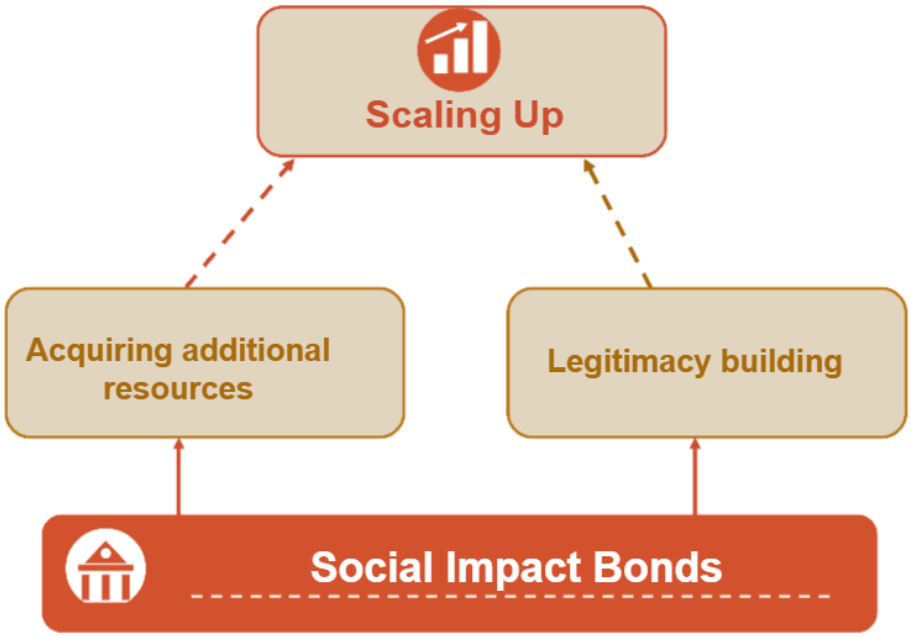


Figure 4: Social Impact Bonds and social enterprise scaling (adapted from Chen & Li, (2026).

Venture Philanthropy

Social enterprises can utilise VP to achieve Scaling Up and Scaling Deep: from a Scaling Up perspective, VP primarily facilitates the scaling of social enterprises through Legitimacy Building. VP organisations typically invest significant time and resources in supporting social enterprises and, therefore, often conduct rigorous due diligence before making an investment. Receiving VP support signifies that a social enterprise has passed the evaluation and screening process of a professional investment institution, thereby signalling a high level of credibility and investment value to external stakeholders and enhancing its legitimacy.

From a Scaling Deep perspective, VP primarily facilitates the scaling of social enterprises through Capacity Building. VP enhances the long-term development capabilities of social enterprises by providing a wide range of non-financial support. This support includes knowledge sharing, strategic consulting, organisational process management, human resources and financial management, marketing and communications guidance, board participation, network expansion, and revenue model design (Di Lorenzo & Scarlata, 2019; Salimi & ten, 2024). These activities help strengthen social enterprises' long-term operational capabilities and capacity for sustainable development.

Blended Finance

Social enterprises can utilise blended finance to achieve Scaling Up through Acquiring Additional Resources. Blended finance uses public capital, philanthropic capital, or development finance to share investment risks and attract private capital to high-risk social projects. This is typically achieved through mechanisms such as concessional loans, subordinated capital, and guarantee schemes. By reducing investment risks, blended finance enables social enterprises that would otherwise struggle to secure financing due to high risk or low expected returns to access additional resources, thereby supporting project expansion and long-term development (Flammer et al., 2024).

Developmental Finance Institutions Investing

Social enterprises can utilise DFII to achieve Scaling Up through Policy Development, Partnering, and Advocacy, Acquiring Additional Resources, and Legitimacy Building. In terms of Policy Development, Partnering, and Advocacy, the development issues addressed by DFIs are closely aligned with national development strategies, international development agendas, and the United Nations Sustainable Development Goals (SDGs), while also reflecting the social objectives pursued by social enterprises. Consequently, DFI support can help social enterprises integrate into development cooperation networks and engage in policy advocacy, partnership building, and the implementation of sustainable development initiatives.

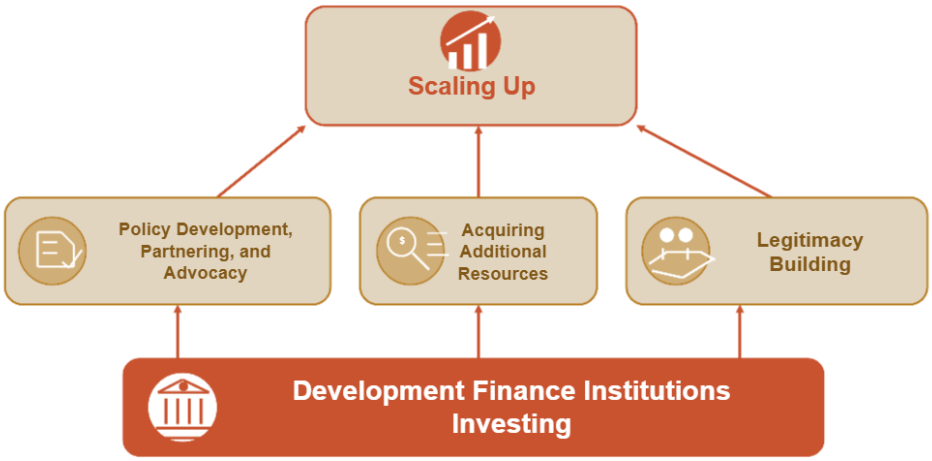


Figure 5: Development Finance Institutions Investing and social enterprise scaling (adapted from Chen & Li, 2026).

In terms of Acquiring Additional Resources, unlike commercial financial institutions, DFIs focus on closing financing gaps and typically provide financial support through more inclusive financing conditions, such as longer maturities and lower collateral requirements, while also assuming risk-sharing functions. This enables social enterprises to access capital that would otherwise be difficult to obtain, thereby supporting their further expansion.

In terms of Legitimacy Building, DFI generally apply rigorous investment criteria and screening mechanisms, securing DFI investment signals that a social enterprise's business viability,

operational capabilities, and growth potential have been recognised. This recognition can strengthen external stakeholders' trust in the organisation and further enhance its legitimacy.

Although public-sector impact investing and SVC are increasingly recognised as important components of the impact investing ecosystem, academic research on these topics remains limited compared to other impact investing instruments. Existing policy and practice reports indicate that these two types of instruments have the potential to support the development of social enterprises (OECD, 2019; World Bank, 2020). Specifically, public-sector impact investing primarily supports the development of social enterprises through public-sector engagement and policy coordination, while SVC promotes the growth of social enterprises through equity financing, strategic guidance, and governance support. However, due to the lack of sufficient peer-reviewed research, their specific roles and mechanisms in supporting the scaling of social enterprises remain to be further explored. To facilitate the practical use of the findings by stakeholders, Table 4 summarises the most suitable social enterprise development stages, financial return requirements, and project risk tolerance associated with each impact investing instrument, providing social enterprises with a concise overview of the key characteristics of different instruments.

Table 5. Characteristics of Impact Investing Instruments for social enterprise scaling (adapted from Chen & Li, 2026).

Instruments	Stage	Financial Return Requirement	Explanation	Tolerance for Risk	Explanation
Venture Philanthropy	Growth-stage Mature-stage	Low	Greater focus on the financial sustainability of social enterprises themselves.	High	Willing to support social enterprises that offer high social value but are not yet fully established, and to mitigate risks through capacity building.
Social Impact Bonds	Growth-stage Mature-stage	Medium	Returns linked to social outcomes.	Medium–High	Willing to address complex and relatively high-risk social problems but generally requires outcomes to be measurable and manageable. Projects with unobservable or difficult-to-evaluate outcomes are less likely to be supported.
Development Finance Institutions Investing	Mature-stage	Medium–High	Sustainable returns expected	Medium	Willing to assume some of the risks that the market is unwilling to bear, but with a rigorous investment screening process.
Individual Impact Investing – Crowdfunding	Early-stage Growth-stage	• Donation-based CF: No return • Reward-based CF: Low • Equity-based CF: High • Loan-based CF: Medium	• Donation-based CF: No financial return expected. • Reward-based CF: Non-financial rewards provided. • Loan-based CF: Principal and interest expected. • Equity-based CF: Equity return expected.	High	Willing to invest in early-stage projects, with a more lenient approach to due diligence, diversified investment amounts, and a high tolerance for failure.
Blended Finance	Growth-stage	Medium	Tiered returns expected.	Medium–High	Willing to support higher-risk projects through de-risking arrangements, but typically subject to stringent pre-investment assessment and due diligence.

Social Venture Capital	Growth-stage	Medium–High	Seeks financial return with measurable social impact; usually requires scalability and revenue potential.	Medium–High	Accepts risk in scalable social ventures, but still expects market validation and return potential.
Public Sector Impact Investing	Early-stage to Growth-stage	Low–Medium	Prioritises public value; often uses grants, concessional loans, guarantees, or blended finance.	High	Can absorb higher risk to support policy goals, underserved groups, or market failures.

Current Challenges and Mitigation Strategies

Accounting For Financial Risks and Returns

Impact investors face a fundamental tension between generating competitive financial returns and managing financial risks that remain poorly understood and inconsistently documented. Comparable performance data across instruments and asset classes remains limited, making it difficult for investors to benchmark credibly and for social enterprises to anticipate what financial expectations they will face across the investment lifecycle. Traditional risk frameworks, developed for conventional asset classes, also translate poorly to impact contexts, where investees often operate in underserved markets, early-stage ventures, or sectors sensitive to policy change. Early evidence suggests that risk profiles in impact portfolios deviate from conventional assumptions, though this remains an emerging area of inquiry. Macroeconomic volatility and shifting regulatory landscapes add further complexity, with impact portfolios carrying particular exposure given their concentration in policy-dependent sectors and geographies.

Financial risk in impact investing is rarely well-measured (Jeffers et al., 2024). Classical due diligence, covering financial statements, cash flow projections, and capital structure, remains the baseline, but is insufficient on its own. Benchmarking against comparable impact funds and instruments provides a clearer picture of relative performance expectations, while scenario building helps stress-test portfolio companies against plausible macroeconomic or policy shocks. Together, these tools give investors a more grounded basis for assessing whether the financial risk profile of a given investment is understood and manageable.

Mitigation relies on three complementary approaches:

- **Continuous monitoring and transparent communication** with social enterprises in the portfolio allows risks to be identified and addressed early rather than reactively.
- **Portfolio diversification** across sectors, geographies, and investment stages distributes exposure meaningfully.
- **Blended finance structures**, combining public, philanthropic, and private capital, can provide the risk cushion needed to keep impact-oriented investments viable.

Managing Risks of Scaling and Preserving Mission

From a Scaling up perspective, while legitimacy building and acquiring additional resources help social enterprises gain stakeholder trust, enhance their ability to secure resources, and expand their organisational influence, these two mechanisms may also present certain challenges. First, legitimacy building may entail three risks. The first is the risk of mission drift. To gain recognition from investors, government agencies, or the public, social enterprises may gradually adjust their organisational goals and operational priorities to align with the expectations of external stakeholders, thereby creating a risk of mission drift. The second is the risk of dependence on external legitimacy. When a social enterprise's legitimacy relies excessively on specific investment institutions, government support, or platform endorsements, the organisation may become dependent on external validation. Once such support weakens, the policy environment changes, or the platform's reputation is damaged, the organisation's ability to scale may be

compromised. The third is the risk of increased costs associated with information disclosure and management. To gain recognition and support from investors, government agencies, and other resource providers, social enterprises must invest more time and effort in demonstrating their operational performance and social impact outcomes. While these efforts help enhance organisational transparency and standardization, they do not necessarily directly contribute to increased social impact. As the volume of reporting, evaluation, and communication activities continues to grow, social enterprises may face higher costs associated with information disclosure and management, diverting resources that would otherwise be allocated to core social objectives and thereby hindering their ability to Scaling up. To facilitate the identification and management of these risks, Table 5 summarises the warning signs and corresponding mitigation strategies associated with each scaling-up risk. The table provides social enterprises with a practical reference for the early identification of potential risks and the implementation of appropriate mitigation measures throughout the Scaling up process.

Table 6. Identification and mitigation for Scaling up mechanisms (adapted from Chen & Li, 2026)

Risk	Warning Signs	Mitigation
Mission Drift	• Social goals gradually give way to financial objectives • Decisions increasingly prioritise investor expectations over beneficiary needs • Social impact indicators receive declining attention • Organisational strategy is repeatedly adjusted to meet funding requirements	• Establish a clear and enduring social mission • Embed mission oversight in governance and board structures • Adopt dual performance metrics (financial + social impact) • Conduct regular mission alignment reviews
Dependence on external legitimacy	• A single investment institution provides most of the organisation's funding • Government subsidies account for an increasing share of organisational revenue • Platform endorsements or certifications become the primary source of organisational credibility	• Diversify funding sources to reduce reliance on a single provider • Build an independent organisational brand and reputation • Strengthen relationships with communities, beneficiaries, and other key stakeholders
Information Disclosure and Management Costs	• Reporting requirements continue to increase • Managers spend substantial time preparing reports and documentation • Administrative and compliance costs rise steadily • Resources allocated to frontline social programmes decline	• Develop standardised impact measurement and reporting systems • Use digital management platforms to streamline reporting and reduce duplication • Tailor disclosure requirements to investors' information needs • Balance reporting obligations with organisational operating capacity

From the perspective of Scaling out, the mechanism of *Offering products or services to new target groups* may entail service adaptation risk.

Specifically, while this mechanism helps expand the social enterprise's reach and social impact, target groups often differ in terms of needs, cultural backgrounds, and behavioural habits. If the social enterprise fails to promptly adjust its service offerings and operational models to accommodate the characteristics of different target groups, it may lead to a decline in service effectiveness, thereby creating service adaptation risk. Furthermore, the "Contractual Partnerships" mechanism may entail coordination risks. Specifically, the risk that social enterprises and their partners struggle to maintain effective coordination at the levels of objectives, management, and execution. While contractual partnerships can help social enterprises achieve rapid expansion by leveraging the resources and networks of external organisations, as the number of partners increases, different organisations may have different understandings of how social objectives should be achieved and how expansion efforts should be implemented, thereby increasing the complexity of coordination. If social enterprises fail to establish effective coordination mechanisms, this may lead to reduced collaboration efficiency, which in turn affects the effectiveness of their scaling out efforts. Table 6 summarises the warning signs and corresponding mitigation strategies for each scaling out risk.

Table 7. Identification and mitigation for Scaling out mechanisms (adapted from Chen & Li, 2026).

Risk	Warning Signs	Mitigation
Service Adaptation Risk	• Declining service effectiveness among newly reached target groups • Low beneficiary satisfaction or engagement in new communities • Increasing complaints or unmet needs from different beneficiary groups • Standardised services fail to accommodate local cultural or contextual differences	• Conduct regular needs assessments before entering new target groups • Co-design products and services with local beneficiaries • Adapt service delivery models to local cultural or contextual conditions • Continuously collect beneficiary feedback and refine service offerings
Coordination Risk	• Misalignment of goals among partner organisations • Delays or inconsistencies in joint implementation • Frequent communication breakdowns between partners • Unclear roles, responsibilities, and decision-making authority	• Establish clear governance structures and coordination mechanisms • Define shared objectives, roles, and responsibilities at the outset • Maintain regular communication and joint review meetings • Develop conflict resolution and decision-making procedures

From the perspective of Scaling Deep, the mechanism of "Building Communities of Practice" may entail the risk of weakened community cohesion. The effective operation of this mechanism typically relies on shared values and common goals among members. However, as the size of the community continues to grow, differences in values and priorities may gradually emerge among members. Furthermore, such networks and communities of practice are typically highly open and decentralised, relying more on spontaneous collaboration among members than on formal hierarchical management and institutional constraints. Therefore, when disagreements arise among members, if the social enterprise lacks effective coordination mechanisms, trust and shared identity among members may gradually weaken, thereby reducing community cohesion and further hindering the achievement of scaling deep objectives. Table 7 summarises the warning signs and corresponding mitigation strategies for each scaling deep risk.

Table 8 . Identification and mitigation for Scaling Deep mechanisms (adapted from Chen & Li, 2026).

Risk	Warning Signs	Mitigation
Risk of Weakened Community Cohesion	• Declining participation and engagement within the community • Increasing conflicts or disagreements among community members • Weakening trust and shared identity across the community • Reduced collaboration and knowledge sharing among members	• Reinforce shared values and a common social mission through regular communication • Establish effective coordination and conflict resolution mechanisms • Foster trust and mutual learning through continuous community engagement • Encourage inclusive participation and strengthen members' sense of ownership

Ecosystem Actors' Coordination to Mitigate Misalignment Risks

Alignment between investors and social enterprises is both the foundation and the fault line of impact investing. At its core, this is a principal–agent relationship shaped by competing logics: investors seek scalable, legible, and financially disciplined impact, while social enterprises pursue context-specific, long-term transformation that often resists easy measurement. Expectations set at the capital level are continuously reinterpreted in practice, producing friction around reporting, performance, and strategy.

One solution to mitigate this risk is early settlement, before the investment is even made. This is where future tensions can be softened. Instead of aligning only on targets and terms, it helps to discuss expectations more openly, something like "How do we define success?" or "How do we communicate about progress and impact?" Such questions bring social enterprises, and where possible, beneficiaries, into the early conversations that help ground decisions in reality, not assumptions.

As the partnership moves forward, challenges often show up in the gap between plans and practice, and this is when strong feedback loops become essential. The focus now should shift from beyond individual practices to how actors within the partnership structure collectively generate, interpret, and act on feedback. Specifically, entrepreneurs can create simple ways for beneficiaries to share what is working and what is not, through community meetings, informal check-ins, or small-scale testing. Meanwhile, investors and intermediaries need to engage with these insights, not just receive them. Instead of focusing only on formal reports, they can create regular touchpoints, such as joint reflections and open discussions where field feedback is discussed, questioned, and connected to strategic decisions. This turns feedback into a shared process rather than a one-way flow. Entrepreneurs are not just reporting upwards; they must actively inform decisions. Investors are not just monitoring progress; they are instead learning alongside and adjusting expectations where needed.

Intermediaries can play a particularly valuable role in making collaboration work across levels, especially between financial providers and recipients. Because they sit in between, they are well positioned not just to connect actors, but to actively make sense of differences. In practice, this means more than passing information back and forth. Intermediaries can help translate expectations into workable terms. They should also reframe arising tensions. What may look like resistance from an entrepreneur could reflect contextual constraints, and what may feel like pressure from investors could stem from accountability needs. Intermediaries should play a role that encourage actors understand each other rather than work at cross purposes.

Finally, across all of this, one pattern or mechanism is visible: challenges are best managed when connections across levels remain strong. As Le & Damberg (2026) suggest, two levers are particularly important here: voice and power. For power-dominant actors like investors, governments, and intermediaries, this means first making voice real. The actors possessing power should go beyond formal participation and create space where entrepreneurs and beneficiaries can share their opinions and openly shape decisions. Additionally, these insights should be treated as valuable input, not as deviations from the plan. Second, share power in workable ways. Power can be understood as the extent to which dominant participants give lower-power actors the autonomy and support they need to perform tasks toward shared goals. That said, this does not mean giving up control entirely but allowing room for adaptation. Entrepreneurs need the autonomy and critical support to respond to what they learn on the ground, without being locked into rigid strategies or reporting structures. Over time, this creates a different kind of partnership. One where adjustments are not seen as failures, but as part of the process. One where differences in perspective, whether cultural, strategic, or experiential, become resources rather than obstacles. And one where resilience comes not from sticking to the original plan, but from staying connected enough to adapt it. In the end, strengthening voice and power is not an abstract principle. It is a practical way of keeping the system in sync so that what happens in strategy remains closely tied to what happens on the ground, even as conditions change.

Sustaining Mission Continuity: Warning Signs and Safeguards to Prevent Mission Drift

Mission drift occurs when a social enterprise gradually shifts its priorities, practices, target beneficiaries, or resource allocation in ways that weaken its original social or environmental purpose. It does not always involve a formal change to the mission statement. Often, the stated mission remains stable, while everyday decisions, performance metrics, and governance practices begin to move in a different direction (Ebrahim et al., 2014; Smith et al., 2013).

Mission drift usually emerges through the interaction of three levels. At the individual level, founders, managers, and employees may interpret the balance between social and financial goals differently, especially as the organisation **professionalises**

(Battilana & Dorado, 2010; Smith et al., 2013). At the organisational level, board composition, ownership arrangements, investor rights, reporting systems, and accountability mechanisms shape which priorities receive attention and how trade-offs are resolved (Ebrahim et al., 2014; Rawhouser et al., 2019; Islam, 2023). But also, the broader ecosystem, such as market competition, regulation, funder expectations, and investor norms, influences what is seen as credible, scalable, and fundable (Doherty et al., 2014; Hehenberger et al., 2019; Höchstädter & Scheck, 2015).

The risk of mission drift also changes across the investment lifecycle. Before investment, selection and due diligence may favour enterprises that appear financially scalable, even if they are not the closest to the social problem. During investment, monitoring and reporting, as well as governance arrangements may increasingly emphasise measurable and financial outcomes. The enterprise may simplify its model, standardise its activities, or move toward easier-to-serve groups. At exit, changes in ownership, leadership, or control can create the strongest risk of mission redefinition (Block et al., 2021; Barber et al., 2021; Borrello et al., 2024; Ormiston et al., 2015).

The key task is early detection. Mission drift may be emerging when impact metrics become narrower over time, board discussions focus mainly on revenue or growth, beneficiaries disappear from strategic decisions, scaling favors easier-to-serve groups, or investor reporting starts to define what counts as “real” impact.

To reduce these risks, investors and social enterprises should agree before investment on what success means, what trade-offs are acceptable, and how mission-related decisions will be made. Governance becomes the arena where tensions are either amplified or contained. Governance should include mission-aligned oversight, such as board members with social-sector expertise, impact committees, beneficiary advisory input, or formal review points during scaling. Impact measurement should be linked to the organisation’s theory of change and should combine quantitative indicators with qualitative evidence from beneficiaries and local stakeholders (Rawhouser et al., 2019; Islam, 2023; Hockerts et al., 2022).

Preventing mission drift therefore requires more than protecting the mission statement. It requires aligning investment terms, governance, measurement, scaling decisions, and beneficiary voice with the enterprise’s social purpose over time. Table 8 below summarises key warning signs of mission drift and provides practical safeguards to help prevent it.

Table 9. Warning signs and safeguards for mission drift in impact investing (based on Petrovskaia et al., 2026)

Risk	Warning sign	Safeguard
Narrow measurement	Only short-term or easily countable outputs are tracked	Link metrics to the theory of change
Financially dominated governance	Board discussions focus mainly on growth, efficiency, or returns	Add mission-aligned oversight
Weak beneficiary voice	Beneficiaries disappear from feedback and decisions	Create regular beneficiary feedback loops
Scaling distortion	Easier-to-serve groups replace the original target group	Define non-negotiable beneficiary commitments
Investor pressure	Reporting requirements reshape priorities	Agree on impact-return trade-offs before investment
Symbolic mission	Mission statement stays stable while practices shift	Review resource allocation, incentives, and routines

Building on this, the following section translates these warning signs into actionable recommendations for impact investors and social enterprises seeking to proactively manage relational tensions, prevent mission drift, and foster collaborations toward achieving social impact and financial returns.

Recommendations

Impact investing works best when capital, governance, and measurement are aligned with the social enterprise's mission and operating context. The following recommendations translate this report's main insights into practical guidance, moving from the investment relationship at the core of the ecosystem outward to the market infrastructure and policy environment that shapes it:

Investors should align capital design with the enterprise's scaling pathway
Before selecting an instrument, investors should clarify what kind of scaling the social enterprise is pursuing. Scaling out requires capital that supports replication and expansion; scaling up may require patient capital or public-sector partnerships; scaling deep requires flexible funding for long-term community engagement. Investment terms should reflect the type of impact being pursued, not only the expected financial return. A mismatch between capital design and scaling pathway can create pressure to grow in ways that weaken mission integrity.

Social enterprises should assess investor fit before accepting capital
Social enterprises should treat investment as a governance and mission decision, not only a financing one. Before accepting capital, but they also should assess whether the investor's equity and return expectations, time horizon, and understanding of impact are compatible with the enterprise's mission and theory of change. Non-negotiable commitments, around target beneficiaries, service quality, geographic focus, should be made explicit before investment, not left to emerge later under pressure.

Both parties should embed mission risks and safeguards in contracting
Investment agreements should reflect the specific risks faced by the enterprise and its context. Contracts should include mission-related clauses, agreed impact indicators, beneficiary commitments, reporting expectations, review points, and procedures for handling trade-offs. These safeguards should not be generic. They should reflect the enterprise's sector, scaling model, and stakeholder relationships.

Ecosystem actors should invest in alignment infrastructure, not just capital infrastructure
The next frontier for the ecosystem is relational infrastructure: shared frameworks for discussing mission trade-offs, learning spaces where tensions can be surfaced without reputational risk, and intermediaries that broker alignment rather than simply facilitate transactions. Shared tools and data also hold the key to deeper and more systemic impact measurement, a challenge that becomes tractable when actors pool resources and build on collective evidence.

Policymakers should design for credibility and context, not compliance
SFDR and potential impact labels can legitimise impact investing at scale, but only if regulatory design prioritises substance over standardization. Standards and labels should remain up to date and developed in close dialogue with the field. Continuous public support, including through EIF investments in impact intermediaries and social enterprises, is essential for actors in structurally underserved markets. The goal is regulation and public investment that raises the floor without flattening the field.

References

Acevedo, Juan David Rivera, & Wu, Min-ni. (2018). Proposed framework to analyse the impact investing ecosystem in cross-country perspective. *Review of European Studies*, 10(4), 87-113. https://doi.org/10.5539/res.v10n4p87

Barber, B., Morse, A., & Yasuda, A. (2021). Impact investing. *Journal of Financial Economics*, *139*(1), 162–185. https://doi.org/10.1016/j.jfineco.2020.07.008

Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organisations: The case of commercial microfinance organisations. *Academy of Management Journal*, *53*(6), 1419–1440. https://doi.org/10.5465/AMJ.2010.57318391

Block, J. H., Hirschmann, M., & Fisch, C. (2021). Which criteria matter when impact investors screen social enterprises? *Journal of Corporate Finance*, *66*, 101813. https://doi.org/10.1016/j.jcorpfin.2020.101813

Borrello, A., Bengo, I., & Moran, M. (2024). How impact investing funds invest in social-purpose organisations: A cross-country comparison. *Corporate Social Responsibility and Environmental Management*, *31*(2), 879–894. https://doi.org/10.1002/csr.2605

Brandstetter, L., & Lehner, O. M. (2015). Opening the Market for Impact Investments: The Need for Adapted Portfolio Tools. *Entrepreneurship Research Journal*, *5*(2), 87–107. https://doi.org/10.1515/erj-2015-0003

Bugg-Levine, A., & Goldstein, J. (2009). Impact investing: Harnessing capital markets to solve problems at scale. Community Development Innovation Review, 2, 30-41.

Bukharina, L., & Onyshchenko, O. (2019). Development of the impact investing ecosystem in Ukraine. *Investment Management and Financial Innovations*, *16*(3), 217-228. http://dx.doi.org/10.21511/imfi.16(3).2019.20

Carè, R., Fatima, R., Cerciello, M., & Taddeo, S. (2025). Exploring the landscape of green CF: Trends, themes, and insights from a bibliometric review. *Finance Research Letters*, 107143. https://doi.org/10.1016/j.frl.2025.107143

Casasnovas, G., & Jones, J. (2022). Who has a seat at the table in impact investing? Addressing inequality by giving voice. *Journal of Business Ethics*, *179*(4), 951-969. https://doi.org/10.1007/s10551-022-05154-6

BehaviourOrganisationChandna, V. (2022). Social entrepreneurship and digital platforms: Crowdfunding in the sharing economy era. *Business Horizons*, 65(1), 21-31. https://doi.org/10.1016/j.bushor.2021.09.005

Chen, Z., & Li, X. (2026). I*mpact investing and social enterprise scaling. [Manuscript under review]*.

Christopoulos, T. P., Verga Matos, P., & Borges, R. D. (2024). An ecosystem for social entrepreneurship and innovation: How the state integrates actors for developing impact investing in Portugal. *Journal of the knowledge economy*, *15*(2), 7968-7992. https://doi.org/10.1007/s13132-023-01279-9

Comite, U. (2018). Crowdfunding as a model and financing instrument in social enterprises. In Consumer Behaviour, Organisational Strategy and Financial Economics: Proceedings of the 21st Eurasia Business and Economics Society Conference (pp. 203-220). Cham: Springer International Publishing. https://doi.org/10.1007/978-3-319-76288-3_15

Cruz, C., Justo, R., & Roche, J. (2021). Engaging in a New Field: Business Owning Families' DifferentialApproach to Impact Investing. *European Journal of Family Business*, 11(1). https://doi.org/10.24310/ejfbejfb.v11i1.12626

Doherty, B., Haugh, H., & Lyon, F. (2014). Social Enterprises as Hybrid Organisations: A Review and Research Agenda. *International Journal of Management Reviews*, *16*(4), 417–436. https://doi.org/10.1111/ijmr.12028

Dinh, J. M., Isaak, A. J., & Wehner, M. C. (2024). Sustainability-oriented CF: An integrative literature review. *Journal of Cleaner Production*, 448, 141579. https://doi.org/10.1016/j.jclepro.2024.141579

Di Lorenzo, F., & Scarlata, M. (2019). Social enterprises, venture philanthropy and the alleviation of income inequality. *Journal of Business Ethics*, 159(2), 307-323. https://doi.org/10.1007/s10551-018-4049-1

Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organisations. *Research in Organisational Behaviour, 34*, 81–100. https://doi.org/10.1016/j.riob.2014.09.001

European Commission. (2025, November 21). *Commission proposes improvements to the Sustainable Finance Disclosure Regulation (SFDR)*. https://finance.ec.europa.eu/news/commission-proposes-improvements-sfdr-2025-11-21_en

European Impact Investing Consortium. (2024). *The size of impact*. Impact Europe. https://www.impacteurope.net/insights/size-impact

European Investment Fund. (2024). *EIF annual report 2025*. https://engage.eif.org/annual-report-2025/social-impact-skills-human-capital

Evans, M. (2013). Meeting the challenge of impact investing: how can contracting practices secure social impact without sacrificing performance? *Journal of Sustainable Finance and Investment*, *3*(2), 138–154. https://doi.org/10.1080/20430795.2013.776260

Fraser, A., Tan, S., Lagarde, M., & Mays, N. (2018). Narratives of promise, narratives of caution: A review of the literature on Social Impact Bonds. Social policy & administration, 52(1), 4-28. https://doi.org/10.1111/spol.12260

Flammer, C., Giroux, T., & Heal, G. (2024). Blended finance (No. w32287). National Bureau of Economic Research. https://doi.org/10.3386/w32287

GSG Impact. (2024). *The size of impact: Main takeaways from the European impact investing market sizing exercise*. https://www.gsgimpact.org/resources/gsg-impact-publications-reports/the-size-of-impact-main-takeaways-from-the-european-impact-investing-market-sizing-exercise/

GIIN. (2024). *State of the Market 2024: Trends, Performance and Allocations*.

GIIN. (2025). *State of the Market 2025: Trends, Performance and Allocations*. https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/giin-stateofthemarket2025.pdf

Hehenberger, L., Mair, J., & Metz, A. (2019). The Assembly of a Field Ideology: An Idea-Centric Perspective on Systemic Power in Impact Investing. *Academy of Management Journal*, *62*. https://doi.org/10.5465/amj.2017.1402

Höchstädter, A. K., & Scheck, B. (2015). What's in a name. *Journal of Business Ethics,* 132(2), 449–475.

Hockerts, K., Hehenberger, L., Schaltegger, S., & Farber, V. (2022). Defining and conceptualizing impact investing. *Journal of Business Ethics,* 179(4), 937–950.

Hopp, C., Dey, P., Riniker, M., & Rüdiger, M. (2025). Financing sustainable entrepreneurship: Unpacking the role of campaign information and risk disclosure in reward-based CF. *Finance Research Letters*, 74, 106748. https://doi.org/10.1016/j.frl.2025.106748

Hoque, M. M. (2024). CF for innovation: a comprehensive empirical review. *Future Business Journal*, 10(1), 102. https://doi.org/10.1186/s43093-024-00387-5

Jeffers, J., Lyu, T., & Posenau, K. (2024). The risk and return of impact investing funds. *Journal of Financial Economics*, *161*, 103928. https://doi.org/10.1016/j.jfineco.2024.103928

Impact Europe. (2024). *Impact investment in 2024: A world where no one is left behind?* https://www.impacteurope.net/insights/impact-investment-2024-world-where-no-one-left-behind

Impact Europe. (2025). *How impact funds are scaling in 2025*. https://www.impacteurope.net/insights/how-impact-funds-are-scaling-2025

Islam, S. M. (2023). Impact Risk Management in Impact Investing: How Impact Investing Organisations Adopt Control Mechanisms to Manage Their Impact Risk. *Journal of Management Accounting Research*, *35*(2), 115–139. https://doi.org/10.2308/JMAR-2021-041

Le, T. B., & Damberg, S. (2026). *Unpacking voice and power in the impact investing ecosystem for social impact: A systematic literature review. [Manuscript under review].*

Maymoni, L., & Solodoha, E. (2025). Crowdfunding beyond borders: Geographic disparities in crowdfunding success. *Journal of Business Venturing Insights*, 23, e00520. https://doi.org/10.1016/j.jbvi.2025.e00520

Miller, T. L., & Wesley, C. L. (2010). Assessing Mission and Resources for Social Change: An Organisational Identity Perspective on Social Venture Capitalists' Decision Criteria. *Entrepreneurship Theory and Practice*, *34*(4), 705–733. https://doi.org/10.1111/j.1540-6520.2010.00388.x

Ormiston, J., Charlton, K., Donald, M. S., & Seymour, R. G. (2015). Overcoming the Challenges of Impact Investing: Insights from Leading Investors. *Journal of Social Entrepreneurship*, *6*(3), 352–378. https://doi.org/10.1080/19420676.2015.1049285

Orero-Blat, M., Rey-Martí, A., & Mas-Tur, A. (2025). social entrepreneurship and digitalization. *Tec Empresarial*, 19(3), 1-5. http://dx.doi.org/10.18845/te.v19i3.8132

OECD. (2019). Making blended finance work for water and sanitation: Unlocking commercial finance for SDG 6. *OECD Publishing*. https://doi.org/10.1787/5efc8950-en

Petrovskaia, E., Torfason, M. Þ., & Hockerts, K. (2026). *Mission drift and impact fidelity under investment: A multilevel synthesis of social enterprises. [Manuscript under review].*

Pramann, L. (2026). *From hybrid organizing to changing systems: A systematic review and typology of impact investing strategies. [Manuscript under review].*

Patetta, V., & Enciso-Santocildes, M. (2024). SIBs and the implications on the relationship between SEs and the public sector: a case study from the Netherlands. *International Journal of Public Sector Management*, 37(3), 421-437. https://doi.org/10.1108/IJPSM-05-2023-0132

Rawhouser, H., Cummings, M., & Newbert, S. L. (2019). Social impact measurement: Current approaches and future directions for social entrepreneurship research. *Entrepreneurship Theory and Practice, 43*(1), 82–115. https://doi.org/10.1177/1042258717710564

Roundy, P. T. (2020). Regional differences in impact investment: A theory of impact investing ecosystems. *Social Responsibility Journal*, *16*(4), 467-485. https://doi.org/10.1108/SRJ-11-2018-0302

Smith, W. K., Gonin, M., & Besharov, M. L. (2013). Managing social–business tensions: A review and research agenda for social enterprise. Business Ethics Quarterly, 23(3), 407–442. https://doi.org/10.5840/beq201323327

Semrau, T., Ambos, T., & Kraus, S. (2016). Entrepreneurial orientation and SME performance across societal cultures: An international study. *Journal of Business Research*, 69(5), 1928-1932.https://doi.org/10.1016/j.jbusres.2015.10.082

Salimi, N., & ten Have, G. R. (2024). Aiding philanthropic venture capitalists investing in SEs: A multi-criteria decision-making approach. *Journal of Philanthropy and Marketing*, 29(1), e1834. https://doi.org/10.1002/nvsm.1834

World Bank. (2020). The why and how of blended finance. *World Bank Group*.

AI Transparency Statement

The authors declare that generative AI was not used in the research design, literature review, data analysis, development of conceptual models, formulation of analytical claims, or generation of the theoretical contribution.

In preparing this report, generative AI tools were used only for editorial assistance, specifically to improve language clarity, readability, structure, and conciseness. This use was limited to an auxiliary editorial function and did not alter the substantive content, arguments, citations, analyses, conclusions, or conceptual models. OpenAI's ChatGPT was also used to assist in the creation of the cover image.

The use of AI was conducted in line with relevant European guidance on the responsible use of AI in research, including the Living Guidelines on the Responsible Use of Generative AI in Research and the European Code of Conduct for Research Integrity. All AI-assisted outputs were critically reviewed and revised by the authors.

About the Authors



Elizaveta Petrovskaia is a PhD Fellow at the University of Iceland. Her research explores how social enterprises sustain their commitment to social impact throughout the investment lifecycle. She holds a Master of Science in International Relations from the University of Naples Federico II. She has also completed specialised courses in corporate sustainability at Università Bocconi and sustainable entrepreneurship at Copenhagen Business School.

Her academic research focuses on governance, sustainability, and social enterprise scaling, with publications on environmental migration and social entrepreneurship education. She has presented at international conferences on sustainable development and impact measurement, contributing to the discourse on policy frameworks that support social enterprises' long-term sustainability.



Lisa Pramann is a PhD Fellow in Social Entrepreneurship and Impact Investing at Copenhagen Business School (CBS) within the seizmic Doctoral Network (MSCA). Her research explores how impact investing drives the scaling of social entrepreneurship with a focus on Schumpeterian theory of market disequilibria.

Lisa holds a Master's in Public Policy from Hertie School. Prior to joining CBS, she worked in consulting, policy research, and international affairs, including as a Management Consultant at BCG and in roles at the European Commission and German Ministry of Labour and Social Affairs, focusing on CSR, impact strategy and risk & regulation.



Chen Zhihui is a PhD Fellow at Rovira i Virgili University in Spain. Her research focuses on social enterprise scaling and impact investing, exploring innovative financing strategies to support the sustainable growth and social impact of social enterprises.

Prior to starting his PhD, she worked as an IPO project audit specialist at an accounting firm, where she developed experience and knowledge of listing processes and investment financing.

Her research aims to generate theoretical and empirical insights into financing strategies for social enterprises, while contributing to the development of practical solutions that can support their sustainable scaling and social impact.



Toan Bao Le is a PhD Fellow at the Department of Sustainability and Planning, Aalborg University, working on the project “Quantitative Analysis of Impact Investing and Social Entrepreneurship Scaling”. He holds a Master’s degree in International Strategic Management from Lund University. Before moving to Denmark, Toan spent four years as a research assistant at Vietnam National University, and four years as a consultant at a Singapore-based firm supporting investments in Southeast Asia.

His research and publications focus on innovation, entrepreneurship, and sustainability, with a particular interest in SMEs. Toan is keen on understanding how SMEs can integrate sustainable practices into their business models while navigating challenges in growth, market competition, and environmental impact.



Kai Hockerts is Professor in Social Entrepreneurship at Copenhagen Business School (CBS). In his function as Academic Coordinator he leads the CBS Aurora Alliance team which aims to develop international and interdisciplinary social entrepreneurship education content across ten European university. Kai's primary research focus is on corporate sustainability strategies, social entrepreneurship, and impact investing. Kai holds a Ph.D. in Management from the University of St. Gallen (CH).

Before joining CBS Kai was an Adjunct Professor at INSEAD (F). His research has been published in outlets such as the Journal of Business Venturing, Entrepreneurship Theory and Practice, Academy of Management Education and Learning, Journal of Business Ethics, California Management Review, International Journal of Entrepreneurial Behaviour & Research, International Journal of Entrepreneurial Venturing, Journal of Small Business & Entrepreneurship, Journal of Social Entrepreneurship, Social Enterprise Journal and Business Strategy and the Environment. Furthermore, Kai is section editor at the Journal of Business Ethics, and editorial board member at Journal of Business Venturing, Entrepreneurship Theory & Practice, Social Enterprise Journal, and Business Strategy and the Environment.



Xiaoni Li is an Associate Professor of Finance in the Department of Business Management at the Faculty of Business Management and Economics, Universitat Rovira i Virgili (URV), Tarragona, Spain. Her research focuses on sustainability, firm performance, entrepreneurship (including social entrepreneurship and innovation), SME crisis management, bankruptcy analysis, and corporate governance. She collaborates with the Chair of Entrepreneurship and Business Creation at URV and Ship2B Venture Capital. She is also the Principal Investigator of the Horizon Europe BEAGLE project (2024–2027) and a contributor to the Horizon Europe INTEGER project (2023–2024).

The **Aurora European Universities Alliance** is a network of research-intensive European universities committed to combining academic excellence with societal relevance. Its mission is to strengthen collaboration in higher education, research, and innovation while contributing to the achievement of the United Nations Sustainable Development Goals (SDGs). Through international cooperation, interdisciplinary approaches, and engagement with societal stakeholders, Aurora seeks to enhance the capacity of universities to address complex social, economic, and environmental challenges.

Aurora was selected under the European Commission's European Universities Initiative in 2020, establishing a framework for deeper institutional cooperation across European higher education institutions. Building on this foundation, the Aurora 2030 programme further develops the Alliance's commitment to innovative education, research collaboration, societal engagement, and sustainable development.

Developed within the Aurora 2030 programme, the seizmic Marie Skłodowska-Curie Actions Doctoral Network builds upon existing collaborations and initiatives in social entrepreneurship and innovation, strengthening connections between academic research, doctoral education, and practical engagement with societal challenges.

The connection between Aurora and the seizmic MSCA Doctoral Network reflects a shared commitment to research excellence, international collaboration, and knowledge exchange. By linking doctoral research to a broader ecosystem of educational initiatives and institutional partnerships, the relationship offers opportunities for cooperation among researchers, educators, students, and practitioners in social entrepreneurship.

In this context, the Doctoral Network contributes to Aurora's mission by advancing interdisciplinary research and supporting doctoral researchers working on complex societal challenges. The relationship illustrates how European university alliances and collaborative doctoral research programmes can complement one another in connecting scientific research, higher education, and societal engagement.

For more information about Aurora European Universities Alliance, please visit the official website: aurora-universities.eu

