How loudly should an entrepreneur communicate their sustainability claim to investors in order to successfully receive funding?

Kim Rosa Amanda Flint

Dissertation written under the supervision of
Prof. Claudia Costa

Dissertation submitted in partial fulfilment of requirements for the MSc in Management with Specialization in Strategy and Entrepreneurship, at the Universidade Católica Portuguesa, 21.12.2018.

ABSTRACT

Today, the impact a business activity has on the larger society is experiencing a growing amount of importance. Stronger environmental expectations from different stakeholders such as governments, consumers and employees result from the increasing ecological issues our world is currently facing. As a reaction to this, companies and big cooperations change their strategies, putting a greater focus on CSR or adding environmental innovations. At the same time, we can observe a new breed of social entrepreneurs emerging in the market, creating commercial for-profit organizations integrating the sustainability aspect into the center of their business models as they see it as a business opportunity. To date, research on the communication of startups sustainability claim in front of different stakeholders has remained scarce.

Therefore, this study aims to investigate how this new breed of entrepreneurs communicate their sustainability claim to investors in order to successfully attract funding. The focus is on whether the startup needs to change the strength of it, and therefore communicates a different value proposition to their investors compared to their customers. An inductive multiple case study of five startups who are part of the Climate-KIC platform was performed. The analysis revealed that how strong a startup decides to communicate its sustainability claim to investors always depends on what investor type they are approaching. Whilst always telling the "truth", with knowing who they are communicating to, startups constantly adjust their pitch deck accordingly, putting a weaker or stronger focus on it. The study enhances valuable insights and guidelines for startups who integrate a sustainability aspect into their business model in order better approach investors and therefore to successfully attract funding.

Keywords: socially responsible investing, CSR, entrepreneurship, sustainability claim, stakeholder theory, funding

SUMÁRIO

Hoje em dia, o impacto que uma actividade empresarial exerce sobre a sociedade está a ganhar cada vez maior importância. Expectativas ambientais dos diferentes stakeholders, tais como governos, consumidores e funcionários, são o resultado de pressões ecológicas que o planeta actualmente enfrenta. Como resposta, empresas e grandes organizações estão a mudar as suas estratégias, pondo um foco maior em CSR ou investindo em inovações ambientais. Ao mesmo tempo, pode-se observar uma nova geração de empreendedores com preocupações sociais, os quais criam organizações comerciais com fins lucrativos que integram o aspecto da sustentabilidade no centro do seu modelo de negócio, considerada também uma oportunidade de negócio. Até à data, os estudos sobre a comunicação da sustentabilidade das startups perante diferentes stakeholders são escassos.

Com isto, este estudo tem como objetivo investigar como é que esta nova geração de empreendedores comunica as suas práticas de sustentabilidade a investidores, para obter o financiamento necessário para o sucesso. O foco principal está em saber se a startup precisa de ajustar a sua mensagem quando comunica a proposta de valor, tornado a diferente de investidores e consumidores. Foi realizado um estudo de casos múltiplos indutivo, com cinco startups pertencentes ao programa Climate-KIC. A análise demonstrou que a intensidade com que uma startup comunica as suas práticas de sustentabilidade aos seus investidores depende do tipo de investidor que pretende atingir. Apesar de dizerem sempre a “verdade”, quando sabem com quem estão a comunicar, as startups acabam por ajustar o seu discurso. O estudo realizado visa obter insights e orientações valiosas para startups que tenham em conta no seu modelo de negócio o aspecto da sustentabilidade, com o intuito de melhorar a abordagem feita aos investidores e, com isso, obter financiamentos de sucesso.

Palavras-chave: investimento socialmente responsável, RSC, empreendedorismo, reivindicação de sustentabilidade, teoria dos stakeholders, financiamento

ACKNOWLEDGEMENTS

Firstly, I would like to thank my supervisor, Claudia Costa, for her constant support, availability and feedback during my thesis.

Furthermore, a sincere thanks to all the study participants who have taken their time to share their insights and experiences of communication strategies towards different stakeholders. I know how valuable time is, especially for young entrepreneurs who have a lot on their tables. Without their complete openness and honesty regarding my investigated topics, I would not have been able to realize this study.

Lastly, I would like to recognize my family and friends who offered a constant support along the way. Not only emotional but also did topic related discussions contribute to enriching my thesis with different perspectives and valuable content.

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CHAPTER 1: INTRODUCTION

1.1 Problem, background and relevance

Recently, concerns regarding ecological issues, such as heightened resource consumption and environmental degradation, have been growing (Adams, Jeanrenaud, Bessant, Denyer, & Overy, 2016). These ecological issues also have its effect on companies. Stronger environmental expectations from governments, activist groups, consumers, and employees pressure firms to act more environmentally friendly (Santos, Pache, & Birkholz, 2015). Additionally, consumers more and more ask for environmental-friendly products and have environmental concerns like waste. Sustainability became a huge consumer trend over the past years (Zheng, 2012). According to a recent study of Unilever, 33 percent of the consumers choose their products based on the brand's environmental and social efforts (Unilever, 2017). As a response, many big, established firms change their business models expanding their CSR strategy or introduce environmental innovations (Bocken, 2015). The development of innovative ways of doing business that align profit and societal impact has become a key challenge for corporate leaders in the 21st century (Santos et al., 2015). At the same time, a growing number of startups enter the market using the sustainability aspect as a business opportunity, centring their value proposition around it in order to tackle this issue (Bocken, 2015; Hall, Daneke, & Lenox, 2010; Pacheco, Dean, & Payne, 2010). We can observe a new breed of social entrepreneurs creating for-profit organizations explicitly to serve social purposes. Consequently, the sector of entrepreneurship has experienced a massive change (Bocken, 2015).

Academically, an increasing number of studies on sustainable entrepreneurship argue that the entrepreneurial process can contribute to solving complex social and ecological issues and can therefore act as a catalyst for industrial transformation (Hall et al., 2010; Hockerts & Wüstenhagen, 2010; Parrish, 2010).

If sustainability has attracted the attention of consumers, companies and governments a neglected area has been socially responsible investment and socially responsible investors. The newly emerged paradigm of aligning financial return and societal value creation still faces scepticism and deterring investors (Bragdon & Marlin, 1972). Doing well through doing good was always considered as not possible and regularly came with some disadvantages compared to traditional for-profit ventures. Profit maximization is generally seen in contrast to social responsibility since social responsibility involves additional costs that may not be directly associated with the business profits and would put the company in a weaker position compared to competition (Bocken, 2015; Rolle et al., 2016). Today there is not a lot of evidence yet that supports that socially responsible investment outperforms the market, but a steadily increasing amount of research and successful examples of For-Profit Social Ventures show that it can match it (Santos et al., 2015).

However, due to this skepticism towards successfully aligning financial return with societal value creation, today, such value propositions still struggle to attract funding. Most investors seem to be more deterred by the sustainability aspect than attracted. This study aims to investigate how much an entrepreneur needs to change their sustainability claim in order to successfully attract funding. Consequently, this study wants to examine a field of study that lacks profound research so far.

1.2 Problem statement

The scope of this research is to investigate and understand how startups that integrate a sustainability aspect into their value proposition should optimally position themselves in front of investors in order to successfully receive funding. Assuming that most investors are rather deterred than attracted by this phenomena of combining financial return with societal value creation, one can argue that pitching should be adjusted to focus on market needs and not society needs. However, with the customers increasing emerging demand for environmental friendly products, startups may face congruent point of views of two of their most important stakeholders. It can therefore be assumed that startups communicate different values to their investors compared to their customer audience. This study therefore aims to understand if this is the case and to what degree changes in communicating the startups value proposition need to be made when pitching to investors. Essentially, the problem statement for this research could be summarized as:

How loudly should an entrepreneur communicate their sustainability claim to investors in order to successfully attract funding?

This problem statement can be expressed through the following research questions:

RQ1: How much is a sustainability claim influencing the successful execution of funding?

RQ1a: Are investors deterred by a sustainability claim?

RQ2: How do entrepreneurs need to change their sustainability claim in order to receive funding?

RQ2a: Is a startup which lowers the weight of the sustainability aspect more likely to receive funding?

RQ2b: Are there different internal and external factors that influence the change of the sustainability claim in order to receive funding?

RQ3: Are startups communicating their sustainability claim differently to different stakeholders?

1.3 Research methods

In order to answer the research questions, both primary and secondary data will be used. Secondary data are mainly applied to define a literature review and to justify the data collection methods used. Since there already exist a variety of academic articles about the different components of this research topic (like CSR, SRI, social entrepreneurship, sustainability and stakeholder theory), secondary data will deliver a good basis for further primary data investigations.

The primary data will be collected through multiple case studies, using structured in depth interviews, containing a unique design in order to identify and best compare the results.

One identical interview script will be used to interview five Commercial For-Profit Ventures which centre their value proposition around sustainability and have already successfully received funding. The aim is to understand how they positioned themselves in front of investors when having asked for funding. Did they truly communicate their sustainability claim or were their forced to weaken it? The study should eventually understand todays investors attitude towards these types of ventures and should also be used as a guideline for newly emerging sustainable startups to facilitate their funding process and survival in the market.

CHAPTER 2: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

The following chapter builds up a theoretical framework for the research questions of this thesis. It sums up, contrasts and criticizes existing literature from related topics that are relevant for understanding the background of the study purpose. In the first part of the literature review, the stakeholder theory is portrayed closer depicting investors and customers as they are the type of stakeholders which are most relevant for this study. In the following part the concept of sustainability is put into the context of enterprises, further investigating and contrasting specific different types of socially responsible ventures. Lastly, a conceptual framework summarizes the interdependencies between the variables and pictures the multiple research prepositions to give an overview about the construct of the study.

2.1 Stakeholder Theory

Due to the stakeholder theory, organizations have certain social responsibilities that require them to take into account all the interests of those individuals, which are affected and further influenced by their actions (Mitchell, Wood, & Agle, 1997). While the traditional (or shareholder) view of a company states that only the concerns and objectives of the shareholders or owners are important and need to be prioritized, the stakeholder theory on the other hand argues that the board of directors and management team should equally consider the interests of other stakeholders during the decision making process (Mitchell et al., 1997). Authors agree on a similar definition for stakeholders derived from Freeman's (1984) initial definition. Stakeholders are any individuals or groups who can affect or are affected by the accomplishment and performance of the firm's goals. A firm's stakeholders include for example customers, shareholders, investors, directors, employees, government, suppliers, and the community from which the business draws its resources (Freeman, 1984). All these different actors are equally motivated to contribute to the firms overall performance and participate in its activities. However, they usually have various and also different interests, which at times can be incongruent (Basu & Palazzo, 2008). Nevertheless, due to the stakeholder theory the firm is obliged to consider and balance all individual stakeholder interests in its decisions and actions. Concludingly, the behavior of an organization can not only be predicted by its diverse stakeholders but it also reflects their diversity. This includes their individual and different definitions of wrong and right motivated by their distinct values, norms and expectations (McVea & Freeman, 2005). Table 1 gives an overview of some important stakeholders and their expectations (Lozano, Albareda, & Balaguer, 2006).

Stakeholders	Primary expectations	Secondary expectations
Shareholders	Profit maximization	Added value
Customers	Supply of goods and services	Quality, price, impact
Employees	Pay	Work satisfaction, training
Community	Safety and security	Contribution to community
Government	Compliance	Improved competitiveness

Table 1: Stakeholders and their expectations

Stakeholders can be grouped into two different types of stakeholders. Firstly, primary stakeholders which have an actual, direct influence on the company and its activities. Such stakeholders are employees, customers, investors, the government and shareholders. They are seen as essential for the survival of the company. And secondly, secondary stakeholders which only have an indirect influence on the company and its activities. Such stakeholders are for instance competition, the media or any trade associations. On the contrary to primary stakeholders, these are not seen as essential for the survival of the company. According to the stakeholder theory, a company is constantly exposed to the question which stakeholders interest to prioritize in case they contrast? Whether to prioritize the creditor shareholder or rather its local community stakeholder? (Helmig, Spraul, & Ingenhoff, 2016)

For this study it is interesting to take a closer look at two different types of primary stakeholders, customers and investors as we have already identified that there might be congruent interests among these two when it comes to the sustainability aspect of Commercial For-Profit Sustainable Ventures.

Investors (shareholders)

A company‘s major responsibility is to maximize its shareholders‘ wealth. Companies are dependent on their shareholders as they ensure them investment, however, in return they are obliged to act in their interest, after certain regulations of theirs and in the end have to deliver a certain ROI.

Customers

Customers are also considered as primary stakeholders and companies are also dependent on them, generating sales revenue. However, it is a dependency which shareholders are aware off and what they are eligible to influence.

2.1 Sustainability in the context of enterprises

2.1.1 Corporate social responsibility

In the second half of the twentieth century the impact a business activity has on the larger society has received a growing number of attention and importance. Research and evaluation has revealed that the theory of corporate social responsibility (CSR) only then became a specialized area of analysis (Rolle et al., 2016). As a consequence we can observe an increasing amount of modern theoretical discussions of corporate social responsibility occurring in the literature (Carroll, 1999; Hill, Ainscough, Shank, & Manullang, 2007).

The idea that companies are not only obliged to their own well-being but also to that of society was firstly mentioned in the book "Social Responsibilities of the Businessman" published by Howard Bowen (1953).

Today, CSR has developed into a concept which has attracted global attention. Increasing interest in the topic of CSR in the past decade has risen from the inception of globalization and international trade. Consequently, companies face new demands to be more transparent in their activities and therefore are confronted with a new level of business complexity. This led to CSR acquiring a complete new status in today's global economy (Cheah, Jamali, Johnson, & Sung, 2011).

Research shows that definitions of CSR vary widely not only by individual authors but also within time and epoch. Operational definitions are scattered and differ from each other, from the tight economic perspective of shareholder maximization, according to which it is the sole obligation of a company to use its resources and engage only in those activities which lead to increased profits as long as it stays within the rules of the game, until the broad sense of responsibility that includes the economic, ethical, philanthropic and statutory dimension of corporate responsibility (Carroll, 1999; Friedman, 1962). Inside individual organizations definitions of CSR activities vary from simply measuring contributions to charities to improving our society and shared world (Rolle et al., 2016).

However, to summarize the authors most up to date definitions CSR is mainly defined as the simple practice of a company voluntarily integrating environmental and also social matters into their operations (Carroll, 1999; Cheah et al., 2011; Jamali, Safieddine, & Rabbath, 2008).

Conflicting views on CSR still exist but CSR prone people at their core have the deep belief that businesses are organizations that have some sort of societal obligations towards our society. Resources should not only be used to benefit economic and legal matters of the company itself, generating a satisfactory level for their shareholders but should be used wisely to also benefit society and consider what kind of impact their activities has on society (Carroll, 1999; Epstein, 1989; Freeman, 1984).

The practical implications of CSR have received much attention lately. Research suggests that CSR represents a differentiating factor which is being successfully used by firms in order to differentiate themselves from each other within their industries (Drumwright, 1994).

2.1.2 Socially responsible investing

As a result of the growing attention and importance of CSR and the fact that the linkage between CSR and firm financial performance has received considerable research attention, a new kind of investing has emerged in the market during the last couple of decades (Hill et al., 2007; Margolis, Elfenbein, & Walsh, 2011). A growing interest in the financing of social enterprises has emerged, which is why especially the area of socially responsible investing (SRI) has received some research attention (Hill et al., 2007; Siqueira, Guenster, Vanacker, & Crucke, 2018).

As mentioned above, today most large companies are being actively engaged in CSR and it is generally held that CSR could increase profits for companies (Bocken, 2015). Additionally, the changing attitudes of today’s entrepreneurs, especially those of the millennial generation, towards making an impact and acting in a more environmental way, led to the founding of Commercial For-Profit Ventures which also tackle issues related to our society and the environment. Thus we can observe these new types of ventures increasingly emerging in the market (Bocken, 2015; Hall et al., 2010). One of them are Commercial For-Profit Firms that center their value proposition around sustainability . One of an entrepreneurs essential function as innovators is to create new sustainable products, services and distribution methods in order to gain competitive advantages in the constantly developing and changing markets they are exposed to. These entrepreneurs use sustainability as a business opportunity in order to stay competitive in the market. As a result more and more of these ventures emerge in the market, which seek investment and are looking for financial intermediaries needed to help to make the entrepreneur's ideas come true and to commercialize inventions (Scholtens, 2006). Thus SRI has gained prominence among investors (Cheah et al., 2011).

The investment process was always known to be strictly financially driven. A *traditional investors* main goal and mission is to generate the biggest profit possible with his investment. For them, profit maximization is generally seen in contrast to social responsibility, so combining the two is usually not an option (Rolle et al., 2016). SRI on the other hand is the idea and practice of integrating not only financial but also non-financial aspects such as societies demands, personal values, environmental concerns and corporate governance issues into an investors investment decision process (Cheah et al., 2011; Lozano et al., 2006). SRI therefore combines investors' financial objectives with their concerns and personal values about the environment and the society (Hill et al., 2007; Muñoz-Torres, Fernández-Izquierdo, & Balaguer-Franch, 2004; Sparkes & Cowton, 2004). *Socially responsible investors* can therefore be defined as investors which have a dual goal for their investment capital, and therefore integrate not only economic aspects but also societal concerns and personal values into their investment decision-making process (Schueth, 2003).

In recent years, the number of ventures that systematically integrate social and economic goals, combining some of the properties of both for-profit and nonprofit organizations, has seen some massive growth and has therefore also gathered a lot of attention from different authors. SRI has rapidly grown in financial markets and has even begun to be considered as a mainstream investment practice. It is starting to be seen not only as a complement but also as a rival to conventional investment. Consequently, it is not surprising that we can observe a raise in the academic literature regarding this topic (Cheah et al., 2011; Rawhouser, Cummings, & Crane, 2015; Sparkes & Cowton, 2004).

In many ways, however, this kind of investment movement is still in its beginnings. There is still a lot of skepticism as doing well through doing good was usually considered as not being possible. Usually a company can only follow *one* bottom line: either dealing with profits or dealing with social value (Certo & Miller, 2008). Hence why investors commonly see profit maximization in contrast to social responsibility since social responsibility involves additional costs that may not be directly associated with the business profits and would put the company in a weaker position compared to competition (Rolle et al., 2016).

Research preposition 1: Investors are deterred by a sustainability claim.

Nevertheless, as with the phenomena of socially responsible investing socially responsible investors as a new type of investor have emerged, there are now investors which next to economic aspects include sustainability aspects in their investment decision (Schueth, 2003).

2.2 Types of socially responsible ventures

Blurred firm boundaries between the nonprofit, government, and business sectors call for a clear distinction between different types of socially responsible ventures (Dees & Anderson, 2003). There are various different types of ventures who operate in the social sector which all, however, exhibit different characteristics. This study focuses on commercial For-Profit Social Ventures centering their value proposition around sustainability, which is why clear boundaries to For-Profit Social Ventures need to be set.

2.2.1 For-Profit Social Ventures

For-Profit Social Ventures are legally defined and incorporated as for-profit firms, designed to serve a certain social purpose whilst making a profit, measuring their success in terms of social impact (Dees & Anderson, 2003). In contrast to other companies that are forced to innovate their existing business models in order to promote sustainability, these new breed of companies specifically design *"their products, operating models, brands, and technologies from the ground up to align with the goal of social and environmental sustainability."* (Lee & Jay, 2015) They have a clear mission of creating value for the larger society instead of just wealth for the shareholders or personal satisfaction for customers. Having a clearly defined mission combined with the fact of being able to compete in the market are two of the main characteristics this types of ventures portray. A combination of the creation of economic value alongside with social impact (Dees & Anderson, 2003). An example for such venture is Samasource. Samasources clear mission of fighting poverty through digital work, whilst addressing customers' needs is being implemented by its efficient and sustainable strategy. Samasource is using digital services as a means for job creation and economic development. They are connecting marginalized people with large US or European enterprises to work together (Samasource, 2018).

The main characteristic can be summarized as the ability of creating a mission-driven business that is financially viable. The focus of for-profit social ventures therefore lies on being profitable through achieving social impact, whilst achieving the social mission is always the primary goal (Haigh, Walker, Bacq, & Kickul, 2015).

Today, For-Profit Social Ventures are present in many different sectors, such as education, fashion, microfinance, the environmental sector and many more. However, they are still a newly emerging phenomena in our society which is why many people are not particularly aware of them yet (Dees & Anderson, 2003).

Many people are still very skeptical that business models aligning societal value creation and financial return can be profitable. In their defense, successful examples are still rather scarce and the risks of pursuing profit whilst serving a social objective remain significant (Dees & Anderson, 2003).

Reasons for that can be found in many of the challenges such ventures are exposed to (Smith & Lewis, 2011). They need to not only understand but also address the difficulties of combining their economic mission of profit maximization with their social objectives in a way that still leaves the for-profit structure with being attractive in the first place. Since social ventures follow a dual bottom-line such as the commercial and the social one, in order to be successful they are mostly compound by social as well as commercial stakeholders (Smith, Gonin, & Besharov, 2013). Hence two different and often divergent objectives and mindsets clash which need to be effectively and efficiently managed. This can lead to stakeholders within the organization being exposed to different types of tensions which can then have negative influence on the overall ventures performance (Smith et al., 2013; Smith & Lewis, 2011). Such types of tensions are performing, belonging and time orientation tensions which are further described in table 2.

Social dimension	TYPE OF TENSION	Commercial Dimension
Social impact and success through addressing needs of a broad range of stakeholders	**Performing Tensions** *Divergent goals regarding defining what success is*	Profitability and success through addressing needs of a narrow range of stakeholders
Social Mission	**Belonging Tensions** *Divergent Identities*	Business Objective

Long term	**Time Orientation Tensions** *Divergent time horizons*	Short term

Table 2: Possible Types of Tensions in For-Profit Social Ventures

Where short term orientation can constrain achieving the social mission, a long term oriented focus may hinder growth (Smith & Lewis, 2011). Avoiding these types of tensions are one of the main challenges a social venture has to overcome in order to be successful and have a well-functioning, efficiently working culture within the company.

As a consequence of this and other challenges, many investors are still rather skeptical towards this new type of venture (Dees & Anderson, 2003). How can wealth creation be most effectively and profitably aligned with serving a social purpose.

2.2.2 Commercial For-Profit Ventures centering their value proposition around sustainability

Commercial For-Profit Ventures which center their value proposition around sustainability can be summarized as ventures that achieve commercial success and wealth generation whilst still respecting ethical values, the environment, people and also communities. These types of ventures usually dedicate a large amount of their time and resources to actively tackle and serve a specific social issue. For this they often engage with NGOs or nonprofit organizations. However, unlike for-profit social ventures, the primary goal of creating economic value remains (Dees & Anderson, 2003). An example for this is Patagonia, a successful fashion brand which committed to take full responsibility for the entire lifecycle of their products whilst being fully transparent how they use resources at their factories. Patagonia manages to limit ecological impacts with selling products that last for generations or can be recycled so the materials in them remain in use, however with their main focus still being wealth generation (Patagonia, 2018).

These types of ventures use the sustainability aspect as a business opportunity. Due to customers increasing demand, and higher willingness to pay for products and services that align with sustainability-oriented ideals, social-oriented products are believed to increase sales and pricing power (Santos et al., 2015).

	For-Profit Social Ventures	For-Profit Ventures centering their VP around Sustainability
Mission	Social Mission	Economic Mission
Source of financial sustainability	Revenues	Revenues
Role in society	Social value creation and wealth generation	Wealth generation

Table 3: Comparison For-Profit Social Ventures vs. For-Profit Ventures centering their VP around sustainability

From the entrepreneurs point of view, the sustainability aspect is often seen as the value proposition, especially since the existing demand from the customer side for impact friendly products and services (Santos et al., 2015). Therefore, it would be obvious that when trying to attract funding from investors, entrepreneurs would communicate the sustainability aspect in an accordingly strong way. Nevertheless, since it is known that investors are generally more deterred by this than attracted it can be assumed that this might not be the most efficient way in order to successfully receive funding. However, with the two identified different types of investors there might also be congruent interests among these, hence these kind of external but also internal factors might also influence the communication (Schueth, 2003). Contrarily, when communicating the impact friendly product or service to customers, one would assume that a high weight on the sustainability aspect would be accurate since customers show the demand for these kind of products and services (Zheng, 2012). This contrasts a conflict between two of the firms very, if not most important stakeholders.

Research preposition 2: Commercial For-Profit Ventures which center their value proposition around sustainability need to change (weaken) their sustainability claim in order to successfully receive funding.

Research preposition 2a: There are internal and external factors which influence the change of the sustainability claim when trying to attract funding.

Research Proposition 3: Commercial For-Profit Ventures which center their value proposition around sustainability communicate the sustainability aspect differently to different stakeholders.

This study will investigate how much these interests of customers and investors align when it comes to commercial For-Profit Ventures centring their value proposition around sustainability. The focus is on observing the communication of the sustainability claim during the funding process of these types of ventures which have already successfully received funding. Did the venture which has certain values and believes, offering an impactful product in order to act in the interest of customers need to change their sustainability claim in front of investors as conflicting interests force them to do so? Does lead to the venture communicating different values to customers compared to investors?

2.3 Conceptual Framework

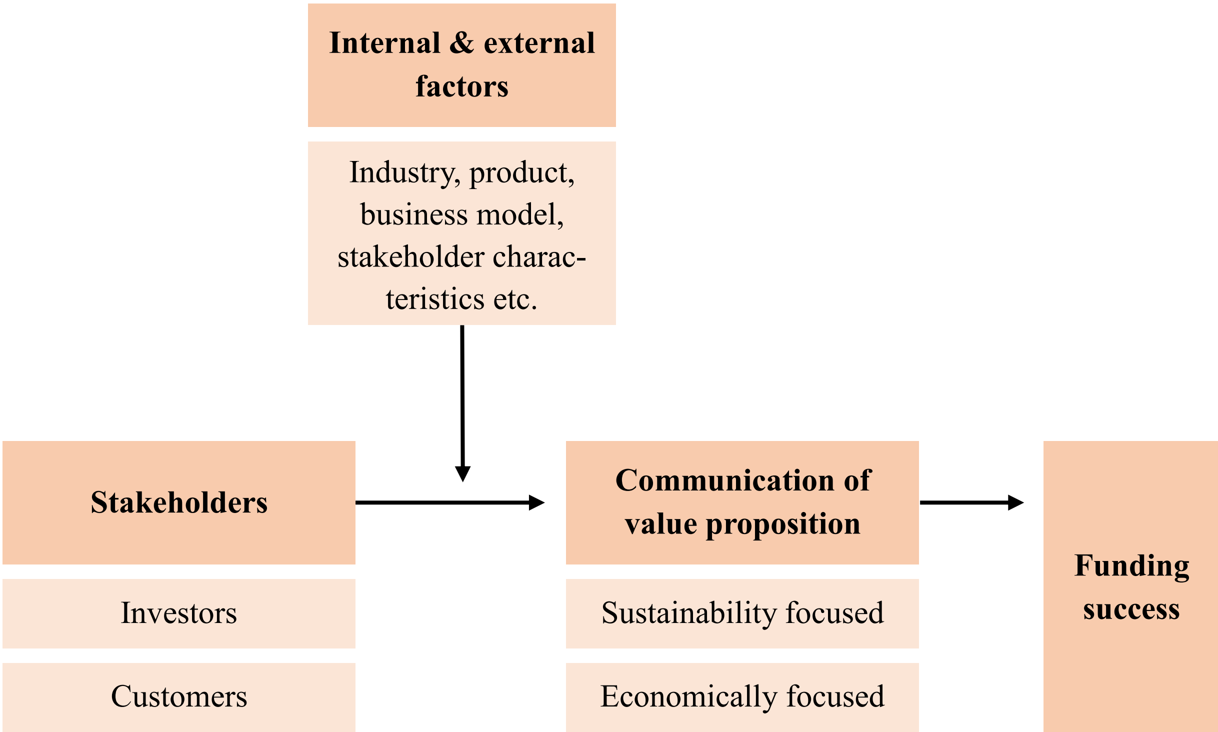

Figure 1: Conceptual framework

CHAPTER 3: METHODOLOGY

This chapter presents and justifies the methodology used to study the research questions of this thesis and shows how the research prepositions which were formulated in the literature review are being addressed. In order to do so, an inductive, theory-building approach was applied. The section is organized as follows: in the first part, the research approach will be presented, explaining what methods and what kind of primary and secondary data was used for the study, presenting the study sample. Secondly, the approach of primary data collection will be expressed in further detail by providing information about data collection, measurement and data analysis techniques.

3.1 Research Approach

Through an extensive review of existing literature and studies in the literature review, a research gap has been identified which this study is aiming to address. It aims to better understand how much startups these days need to change their sustainability claim in order to successfully attract funding. In order to further investigate this question, research prepositions have been derived and developed which are aimed to be tested in order to address and investigate the research problem.

Choosing the right research strategy depends on several factors. The most important condition is to identify the type of research question which is being asked in the study. *How* and *why* questions are best investigated through case studies (Yin, 2014). Commercial For-Profit Ventures which center their value proposition on a sustainability claim represent a category which lacks deeper insights so far. Especially to the *hows* in explaining the most successful strategies for attracting funds and *how* new ventures should most effectively communicate their sustainability claim in front of investors. Because this study investigates mainly the *hows* a case study design is the methodological approach that most accurately provides evidence for understanding the underlying research questions (Eisenhardt, 2007; Yin, 2014). Furthermore, case studies are being used when these how and why questions are asked about a contemporary phenomenon over which the investigator has little or even no control. With the findings, researcher can develop new theories (Yin, 2014).

Case studies can be used in different shapes. They can either involve single or multiple cases and various different levels of analysis where typically multiple sources of data collection, such as questionnaires, interviews, observations and archival data are combined (Eisenhardt, 1989). Critics of the case study approach pint to the lack of accuracy as investigators have 'freedom' to be sloppy and individual biased views can influence the analysis of the findings and the overall conclusion (Yin, 2014). Additional criticism mentions case studies as not being context specific and replicable enough. To minimize inaccurateness a multiple case study approach was chosen. This is due to the fact that results from multiple cases are often considered as more compelling compared to results of single case studies. Hence why the overall study findings are usually seen as more robust. Emerging patterns between individual cases can be identified when using a multiple case study approach which can improves the study's overall validity (Eisenhardt, 1989; Yin, 2014).

Sampling

Having chosen a research strategy for this study, it is now important to define a relevant and representative sample frame to conduct data from. This was done by means of an explanatory study approach, consisting of a combination of different types of secondary data and two un-structured interviews which were conducted. Firstly, secondary data aimed to depict a relevant sample of startups for this study. Different approaches, such as scanning the web and different platforms for Commercial For-Profit startups which center their value proposition on a sustain-ability claim, were applied. During this process the researcher identified the climate-KIC acceleration program as providing a group of startups whose main claim for value was sustainable-related aspects of society. Climate-KIC is one of Europe's biggest public-private innovation partnership focusing on climate innovation in order to react to and fight climate change. Climate-KIC uses the creativity and enthusiasm of young entrepreneurs to develop and grow new climate-positive business models in order to address climate change across sectors and systems. In their accelerator program they identify, support and invest in entrepreneurs, helping them to start their businesses and develop initial ideas and concepts in order to then achieve a commercial scale. This program has supported more than 2,000 startups up to today, which makes the Climate-KIC entrepreneurship community one of the largest worldwide ("Entrepreneurship," 2018).

In order to assess the suitability of the sample frame two in-depth, semi-structured interviews were conducted. In this type of data collection the interviewer enjoys some kind of flexibility as he can deviate from pre-defined, noted interview questions within the process and with the flow of the interview. If something unexpected or for the research interesting might come up, he is not binded to any pre-defined questions but may deviate (Becker, Bryman, & Ferguson, 2012). One of the goals of this was to confirm the relevance of the subject under investigation, namely understanding its practical importance. Whether there might actually be the possibility that startups communicate their sustainability claim dissimilarly from more traditional value based claims in front of investors in practice. Secondly, it aimed to refine the interview guide to ensure that the subject study was fully captured. One of the two unstructured interviews was conducted with the co-founder of one of the startups which is currently on in the accelerator program, which helped us confirm the practical relevance for this research topic and to identify relevant and eliminate irrelevant interview questions for the later conducted in-depth interviews with startups. The second interview was conducted with the startup community manager of Climate-KIC, aiming to find out whether startups from the chosen platform would represent a fitting sample for this study. Choosing startups from one identical platform ensures that each startup is (a) a Commercial For-Profit Venture having a sustainability aspect included in their business model, (b) has already successfully received funding (a condition to be part of the platform) and (c) all startups have gone through a similar funding process. This approach prevents possible bias from different approached investor types. Additionally, the interview with climate-KICs startup community manager revealed that startups entering the accelerator program have all passed the first funding round, pitching their business idea without having to follow any guidelines. Startups in this program therefore pitch and communicate the sustainability aspect the way they perceive it to be most effective in terms of successfully receiving funding, ensuring that they are not influenced by any third parties.

3.2 Case Selection and Data Source

Since the conducted exploratory study confirmed all the necessary criteria, Climate-KIC was chosen as the platform to draw our sample from. However, when it comes to case studies, it is crucial to choose the right study objects in order to draw the most significant conclusion possible. Thereby in this case theoretical sampling where cases are selected based on their suitability for explaining relationships and constructs is the most suitable (Eisenhardt, 2007). In order to maximize quality of the research findings, it is also important that the researcher conducts quality control. For this, amongst others, aspects such as internal validity need to be dealt with. Internal validity refers to whether there is a causal relationship between the independent and dependent variable which means that the observed findings of a study are actually caused by the independent variable and not some other factor (Yin, 2014).

Internal validity can be improved by using standardized conditions and instructions. In order to ensure internal validity, only startups from the Climate-KIC accelerator program which have already successfully received funding have been selcected for interviewes. This ensures that the startups all have a strong sustainability aspect included into their business model, as this is a requirement in order to be accepted for the program. Furthermore, startups from different countries have been interviewed in order to have a more representative and with this valid result. There may be the possibility that investors from one country are more deterred compared to those from other countries. This could be due to various different reasons such as educational level regarding social entrepreneurship and sustainability in each individual country. Additionally, the study sample aims to include early staged as well as later staged startups in order to give a most realistic picture possible and to avoid any bias. One could assume that later staged startups might be more likely to receive funding as they have a longer track record. The received funding amounts of the interviewed startups range from 20,000€ investment to 1,500,000€. Furthermore external conditions could possibly lead to biases as these could be the reason for different case study results (Yin, 2014).

The five selected startups are all from different countries, such as Germany, Switzerland, Sweden, Portugal and the UK. All of them are currently still part of the Climate-KIC accelerator program, some in an earlier stage as others. Funding rounds vary between one and three rounds. The individual startups rated the strength of whether the sustainability claim is the key value point of their business model between 1 and 7, implying that the startups individually put different focus on the sustainability aspect.

Table 4 gives an overview of the five case startups, which were interviewed for this study. The names of the respective startups have been changed in order to ensure confidentiality.

Case Startup	Country	Business Idea	Value Proposition	Customer	Sustainability Strength	Closed Funding rounds
Recycle	Gemany	Marketplace for recycled electronic	Cost savings, reduced risk and sustainability	B2C	4 out of 10	1
Battery	United Kingdom	Improving battery system performance with intelligent control technology	Cost savings	B2B	2 out of 10	1
Food	Switzerland	Providing efficient organic treatments to extend shelf life of fruits and vegetables infected with fungal pathogens by up to 1 week	Cost savings, Sustainability	B2B	7 out of 10	1
Power	Sweden	Powering the Industrial Internet of Things in a	Cost savings	B2B	2 out of 10	2

		reliable, flexible and sustainable way				
Fashion	Portugal	Revolutionizing the approach of sizing and fit in e-commerce	Perfect fit, cost savings, sustainability	B2C	6 out of 10	1

Table 4: Overview and characteristics of case startups

3.3 Data Collection

In order to conduct data collection an accurate and relevant questionnaire needed to be created. A pilot study was designed to assist the main study for this. Initial fields, topics and questions were issued derived from the literature review. However, additionally, parts of the earlier conducted explanatory research was also used as means of a pilot study for this approach, to help to develop the interview guide for the startups. Therefore, the semi-structured interview with co-founder of one of the startups as a pilot study, helped narrowing down the research field a little further, identifying relevant and eliminating irrelevant interview questions for the later conducted in-depth and structured interviews with startups. One of the main conclusions of this interview was the importance of evaluating the "strength" of sustainability of each sampled startup within the questionnaire. Where some startups on this platform really center their business model around sustainability and creating impact, others see it more as a side pillar and might not even include it in their value proposition. This of course in the end would have an influence on the communication of individual sustainability claims and needs to be taken into account when analyzing the results. Additionally, the interview further helped to give the questionnaire a better structure. Lastly, the pilot study strengthened the relevance of the topic, whilst mentioning different communication strategies of the sustainability claim towards different stakeholders and investor types.

The final interview guidelines can be found in the Appendix 1.

In order to receive the most accurate result, potential interviews were selected the following way: The startup community manager of Climate-KIC contacted the five individual country startup managers of Germany, Switzerland, the UK, Portugal and Sweden. Each of these then chose one startup of their accelerator program to participate in the study. In order to initiate a first contact, an e-mail introduction between the researcher and these startups has then been made. Data collection then continued until any new interviewed startup did no longer enrich the generated understanding, meaning that theoretical saturation was reached (Eisenhardt, 2007). In total, in-depth interviews with five respondents were conducted (excluding the pilot and exploratory interviews). For each startup one of the co-founders was interviewed, which included two male and three female respondents. Three interviews were conducted via Skype and two via phone call. Each interview lasted between 10 and 30 minutes.

So concludingly and to summarize, primary data was derived from in-depth, structured interviews. This type of data collection facilitates comparability as interviewees answer the exact same questions (Becker et al., 2012). Additionally, in order to increase data richness and accuracy, the given primary data by the five study participants was enlarged by secondary data to achieve data triangulation. In order to achieve this, more than only one source of data or method needs to be taken into account (Becker et al., 2012). Furthermore, secondary data from the individual startups' websites was used to double-check individual interview statements and to enlarge information about the case startups.

3.4 Data Analysis

In order to most accurately analyze the data the concept of grounded theory was applied, aiming to explain as well as describe the researched data whilst also giving some degree of predictability. Since the researched phenomena cannot be defined as static but are expected to continually change in response to evolving conditions, it is important to consider change within the process here (Corbin & Strauss, 1990). The process of data analysis consisted of firstly breaking down researched data, then examining and comparing it in order to finally conceptualize and categorize it accordingly (Corbin & Strauss, 1990; Van Maanen, 1979).

Consequently to start with, all transcribed interviews were read several times aiming to get a good overview and all the necessary insights of all provided information. The researcher was already trying to become aware of and noted observed patterns in between the individual cases, as finding patterns or also similarities helps to give order to the data (Corbin & Strauss, 1990). Following, whilst reading each startup case again, raw data was coded making sure that the codes closely matched the interviewees own language or constituted short descriptive sentences. Resulting from this, first order concepts have been built and defined out of the coded raw data (Eisenhardt, 1989). Applying a cross-case analysis the approach here was to identify for the study result important similarities, differences and patterns and translate them into recurring codes (Miles, Huberman, & Saldaña, 2014). First-order concepts were then grouped into fitting clusters which each underly a certain research dimension. Within this replication logic each case served as an independent experiment that could confirm or disconfirm emerging insights (Eisenhardt, 1989). Additionally, the emerging theory was enriched, supported and built on findings from the literature review. Within the analysis, pattern findings and the ordering into clusters and finally research dimensions, the researcher made sure to put great importance on constantly linking and reviving findings and observations from primary and secondary data with eachother. This is one very important aspect in order to enhance the validity and generalizability in the case study research (Eisenhardt, 1989).

CHAPTER 4: RESEARCH FINDINGS

In the following section the empirical research findings are being presented. The analysis of the results are being structured among the perceived investors perception towards a sustainability claim, the resulting influence on the startup and the then chosen communication strategy of the individual startups to their different stakeholders, focusing on investors when trying to attract funding.

4.1 Strength of sustainability aspect in startups value proposition

In order to draw conclusions regarding the honesty and strength of the communication of the startups sustainability claim towards investors it is crucial to get a broad overview of where the interviewed startups themselves see their value. Hence where they believe that they base their value and how they define their value proposition investigating whether the sustainability aspect is a part of it and whether it is seen as a key value point in their business model or not. It is important to remember that all interviewed startups are part of the Climate-KIC platform, implying that they all must have a strong cleantech character, focusing on climate impact, otherwise they would not have been accepted to join the platform. This implies that each startup has a sustainability aspect integrated in their business model, this investigation therefore draws focus on evaluating the individual defined strength of it.

Cost saving claim

Four out of the five startups mention cost savings as being their main aspect of their value proposition. They see cost reduction for their customers as the most compelling and valuable selling aspect. Only three out of the five mention sustainability in addition to the cost saving aspect in regards to their customers. Sustainability is not believed to be the key factor and value point in their business model but more a nice add on. As the co-founder of *Recycle* remarked:

"If I have to define what value we bring to our customers it is definitely cost savings and risk reduction. We see sustainability as the third pillar of our value proposition, however, it is more a nice add one. Crucial is that if our products would be more expensive, no one would buy them, even though we have this sustainability aspect integrated. So it is more a secondary aspect which adds value but alone it is usually not enough to dominate the customers purchase intention."

Additionally the co-founder of *Fashion* stated:

"Definitely cost savings. Our customers are in love of the fact that we offer a product with a sustainable component – hence why we also intergrate it into our key values – however, it is just not the main aspect they care about. It is firstly always about price or quality and anything else might just give you that extra bit of value."

The strength of the sustainability claim

When having asked to rate the strength of the sustainability claim on a scale from one to ten, the majority of startups rated it below five, whereas the other rated it just above five, none exceeding the end nine or ten. This goes align with their defined value proposition as nowhere sustainability was mentioned as the key value point of the business model. This pretty much sums up all of the fives co-founders classifications regarding the strength of their sustainability aspect. Nevertheless, at this point it is important to mention that the majority of the study participants stated to be a little upset about their given low ranks of the strengths of their sustainability aspect. They *"[...] would all really like to be a clean tech focused startup, however, in regards to being profitable it doesn't make sense to put the focus here but rather on cost savings. We are still a for-profit business which need to focus on achieving biggest profits possible." (Power)*

Most of the study participants mentioned that if they could rank the sustainability aspect personally, it would be much higher as they feel like they are saving the environment.
Summarizing, more than half of the startups see sustainability as a crucial pillar of their value proposition, however, do not believe it to be the key value point of their business model but more as adding value.

4.2 Investors perceived perception towards sustainability

In order to address research preposition no. 1, the following part is focusing on investigating what the startups individual perceived perception of investors attitude towards sustainability is. It aims to distinguish whether investors are deterred by sustainability or not. Identifying patterns among study participants regarding their perceived perception of investors towards the sustainability aspect within their business model was very clear and unambiguous. Generally speaking the interviewees stated that they do not feel that investors in general are inevitably deterred by the sustainability aspect within the startups business model, but more do not put great importance on it. Having approached several different investor types already, co-founder of *Fashion* explains her experiences as follows:

"I have spoken and pitched to a ton of investors up until today and I can say that 99% of them do not explicitly seem deterred, they just do not care. An investors main concern is to be profitable at the end of the day and not to save the world. So if sustainability is not the factor that drives the profitability, it is not interesting for the investor."

However, the study participants state that here it is important to distinguish between socially responsible and traditional investors as they of course have different individual interests and ambitions regarding their investment preferences.
Socially responsible investors are less deterred compared to traditional investors. Generally speaking socially responsible investors are seeking to combine financial objectives with their concerns and personal values about the environment and the society. Hence deterrence towards focusing on sustainability in the startups business model would be paradoxical.
All of the interviewed co-founders, on the other hand, agree on the fact that almost every traditional investor is either inclined to be deterred or doesn't weigh any importance on it. Co-founder of *Food* adds, that *"[...] also here it is important to distinguish between different types of traditional investors, where business angels are usually more emotionally driven as they invest their own private money and more with their gut feeling you easily get one of the two extremes – either extreme deterrence or sustainability prone attitude. A fund on the other hand has the job to make the biggest profits possible for its shareholders, so they usually do not simply care about the sustainability aspect."*

To sum up, there is no general deterrence towards sustainability among investors. One has to distinguish between investor types in order to draw general conclusions. However, as soon as the investor is not a socially responsible investor, in the majority of times, the investors main focus is profitability so unless sustainability is the factor that drives the profitability, they will not care about it.

4.3 Communication of sustainability aspect to different stakeholders

Having evaluated the startups value proposition and their individual focus on the sustainability aspect within their business model, the following part aims to investigate and depict how these startups communicate their true value proposition to different stakeholders.

As the literature review from this study already emphasizes, within all those different actors who are important for organizational activities and its overall performance, there usually are various different interests among them, which at times can be incongruent (Basu & Palazzo, 2008). Resulting from these different interests research preposition 3 which states that startups might communicate their sustainability aspect differently to different stakeholders was put up. As this study focuses only on analyzing how startups communicate their sustainability claim to investors in regards to their individual weighted definition of the sustainability aspect and how they communicate this to their customers, only investors and customers as stakeholders are being considered. In the following part the interviewees responses are being divided, structured and analyzed accordingly.

4.3.1 Customers

Just as on investors and any other primary stakeholder, companies are very dependent on their customers as through only them they are generating their sales revenues. When having asked the study participants for their value proposition co-founder of *Fashion* pointed out that *"[...] based on their customers' needs, the startups define their value proposition, taking into consideration with what provided value they can reach as many customers possible to generate biggest profits possible."* In the end all interviewees stated that this was the decisive aspect they based the ranking of the weight of their sustainability aspect on. Whether sustainability adds enough value to derive the customers purchase decision or whether it is only a nice add on. As the majority of the study participants ranked sustainability below 5, one can conclude that the key value given to customers is mostly seen elsewhere.

"Unfortunately only 2. Personally however I feel it's a lot stronger as I feel like we are saving the environment. However, when it comes to attracting our customer and investor audience we have to be realistic, so it's not much higher than that." (Battery)

In general, even though, the teams themselves and their initial business idea developed out of the aim of combining profitability with saving the world and making an impact, they soon realized what exactly drives investors and customers decision making and how to adapt to this.

When it comes to customers, it is important to distinguish between two types of customers: B2C and B2B. Three out of the five startups target B2B customers, whereas the other two target B2C customers. The following part will portray the individual customer types and the startups' resulting communication strategies towards them.

4.3.1.1 B2C customers

B2C customers also care a lot about the price and cost savings, however, in addition to that they let emotions influence their decision making process when it comes to purchase decisions. As stated in the initial parts of this study sustainability became a huge consumer trend over the past years and more and more consumers ask for environmental-friendly products. Due to the findings of a recent study of Unilever, today 33% of all consumers base their purchase decision on facts about the brand's environmental and social efforts (Zheng, 2012). The two study participants that target B2C customers confirm this statement, however, believe that this alone doesn't lead to the purchase decision. *Recycle* classifies it as follows:

"Customers are definitely very much influenced by emotions and since sustainability has become such a huge trend in the past years, it can absolutely influence their purchase intention these days. However, sustainability for most of them still is only a nice add on which would not be the first driver which leads to their purchase decision. If the products we sell would be more expensive, most likely no one would buy them – regardless of the sustainability aspect."

When the interviewees communicate to their customers, they state that sustainability is always present and included as they belive it gives them that nice add on which can lead to convincing them to buy their product. They often use emotional driven images or vídeos of the environment reminding the customers that they are making an impact whilst buying the products. When it comes to B2C, sustainability is strongly used and seen as means to convince the customer to buy their products.

4.3.1.2 B2B customers

When it comes to the startups who target B2B customers, the intentions and approaches are quite different. B2B customers are also just companies which care about profitability, usually not acting on any kind of emotional basis. As the co-founder of *Food* depicts: *"[...] For our customers saving and making money is crucial and therefore for us this is the most compelling aspect to communicate. Sustainability doesn't give the customer much value. It's all about trends. Currently end consumers want to have something natural and organic and that's why our customers are happy to pay for that."* Consequently when communicating to B2B customers, the study participants all homogenously state that they do not put much focus on the sustainability aspect, only if this would be the reason for them to increase profitability through attracting a wider range of customers.

4.3.2 Investors

All study participants point out that one must distinguish between different investor types. As the literature review shows investment decisions today are not necessarily strictly financially driven anymore, but also non-financial aspects such as personal values, societal demands, environmental concerns and corporate governance issues are considered in an investors investment decision process (Cheah et al., 2011; Hill et al., 2007). Co-founder of *Recycle* summarized all study participants opinions relatively well stating the following:

> *"There are very different investor types we have approached so far. You have socially responsible investors or so called clean tech investors and then you have the more traditional ones. Looking at funds there are also different kinds of funds, traditional ones and funds that explicitly look to only invest in clean tech or startups with a social and sustainability component in their business model."*

As far as communicating the sustainability aspect to different investor types, all study participants state that *"[…] it always depends on what kind of investor they are facing."* Hence implying different communication strategies when it comes to different types of investor types.

4.3.2.1 Socially Responsible Investors

When it comes to socially responsible investors all of the study participants are in agreement with each other that the sustainability aspect plays an important role in the communication of the funding process. When approaching clean tech investors, all five interviewed startups include impact slides into their pitch deck. They are all of the agreement that here it makes a lot of sense to convey the clean tech message and put comparably high weight on it. As *Power* states, *"[…] social funds usually even have ecological and environmental rules or goals startups need to comply, so here it not only makes sense to center the focus around it and pitch it, it's even considered as crucial."* In general, these kind of investor types never see clean tech as a negative thing, hence why weight on sustainability is always comparably high. Additionally, study participants remark that here usually the communication content aligns a lot with the one communicated to their customers. Presenting every pillar of their value proposition with nearly equally strong focus to both stakeholders.

4.3.2.2 Traditional Investors

When it comes to traditional investors, study participants state that nearly all investors of this type are primarily focusing on making profits and that they do not care about saving the world. For them sustainability would only be interesting if it is the main driver for profitability. Consequently four out of the five startups state that they drastically reduce topics about how good they are for the environment. If time constraints are there, they sometimes even exclude the slides about environmental impact. However, it is important to here again distinguish between funds and private business angels. For business angels, the emotional and sustainability part is much more important because they invest their private money, and a lot more with their gut feeling, so they more likely care about doing something good. A fund on the other hand has the job to make the biggest profit possible for their shareholders, so their main and only focus lies on profits. They do not care about the sustainability aspect, are often almost already deterred by it. The traditional investor will mostly like the sustainability aspect but what he cares more about is the business model and the profit generation.

Summarizing, the startups main concern is, that social impact isn't the investors focus and that they do not care so much, so they rather exclude sustainability related topics and only include the "important" stuff. Usually a pitch deck of any of the study participants is quite profitable focused, where only some of the startups include a full slide about the topic of social impact.

"If there is time, it can be a nice add on but it's definitely not crucial. Rather on the contrary."

Concludingly, study participants remark that when approaching these types of investors, they are communicating their value proposition quite differently compared to when they are communicating to their customers. When communicating to customers, sustainability is always used to reach them on an emotional level and to influence the customers purchase decision. However, since social oriented investors are not quite so common these days, startups state that they are also dependent on traditional investors even though there might be a misalignment between the two value propositions at times.

The final data structure is visualized in Figure 1.

FIRST-ORDER CONCEPT	CLUSTER	RESEARCH DIMENSION
– The startup's core is making an impact – The startup targets emotional driven B2C customers – The startup targets B2B customers that have a business model in which sustainability drives profitability – There is a personal importance regarding social impact within the startup	Rather sustainability oriented startup	**Definition of the value proposition of the startup**
– Customers care primarily about saving costs – Customers care primarily about reducing risk – Customers primarily value high quality – The startup targets B2B customers	Rather economically oriented startup	
– Investor doesn't care about "saving the world" – Investor only cares about being profitable – Traditional funds only care about making profits for their shareholders	Traditionally oriented investors	**Communication of certain values to investors**
– Investor wants to align making profits with social and societal value creation – Investor cares about making an impact – Business Angels base investment decisions also on emotions – Socially oriented funds have certain social guidelines and goals that startups need to fulfil	Socially responsible investors	

Figure 2: Final data structure

CHAPTER 5: DISCUSSION

Since the phenomena of aligning societal value creating with financial return today still is a highly controversial topic which especially among investors still faces a lot of skepticism, this study focused on understanding how startups which center their value proposition around sustainability communicate the "true" strength of their sustainability claim to investors when asking for funding. The following section summarizes and depicts the meaning of the empirical findings and derives theoretical propositions. Lastly managerial and academic implications are being addressed and discussed.

5.1 Main findings

The research findings reveal that how the sustainability aspect should be communicated and whether it should be changed when approaching investors, depends primarily on what type of investor is being approached, but also on various other factors. On the whole it is a result of a long chain of different facts and influences. It finds it origin already within the startups individual definition of the value proposition which again is also influence by many different factors.

Defining the value proposition

The study has yielded that the origin of how sustainability is being communicated already lies within the definition of the value proposition of the startup. Startups who integrate a sustainability aspect into their business model initially see this as a business opportunity, as a key factor to increase value and differentiate themselves from competition. Hence initially these types of startups value proposition is usually more *sustainability oriented*. Going with the trend of customers increasingly asking for environmental friendly products, they believe to attract their customers with this strategy. However, many relatively fast believe to realize that customers still put greater importance on economic values such as cost savings and that sustainability does influence the purchase decision, but isn't the crucial number one factor drives it. Hence why often the value proposition or the focus of communication content results to be more *economically oriented*. Since customers are met on an emotional and personal level when it comes to saving the world and making an impact, sustainability is rather seen as a nice add on which more serves as a convincing factor in the end. So from an initial very strong focus on their sustainability pillar, all of the startups shifted to putting less weight on it, however, most of them, mainly when targeting B2C customers, keeping it as an important pillar of their value proposition. As a consequence of this cognition, sustainability is ranked relatively low even though they would personally like to rank it higher.

Communicating the sustainability claim to investors

With their resulting defined value proposition, the startups state that they always communicate their "true" value proposition when approaching investors. However, how sustainability is being communicated to investors in the end depends a lot on what investor type the startup is approaching. Depending on the investors individual goals, preferences and also perceived perception towards sustainability, the sustainability aspect will be adjusted and communicated accordingly. Hence, startups put strong or less focus on different individual aspects, always depending on what investor type they are approaching. They have understood that even most of their customers (B2C) today still do not care enough about making an impact, that it actually derives their purchase decision. Therefore sustainability is more seen as a nice extra which might give the customer a final push to purchase a product but it's not the crucial fact they base their decision on. This is the reason why individually the majority of startups list sustainability as a pillar of their value proposition, however, it is still ranked comparably low. It is the aspect which gets modified depending what target audience the startup is facing.

Consequently, when it comes to communicating the sustainability aspect, all study participants individually adjust their pitch deck depending on what investor type they are approaching. Adjusting here refers to how strong sustainability is being communicated within the pitch. In the majority of times, sustainability is always included somewhere, as the fear of general deterrence isn't there, however, the weight always varies and depends.

When approaching the *traditional investor* type, which makes up the majority of investors the startups communicate with, the pitch decks are mainly strongly profitability focused. Here sustainability would only be interesting and strongly included, if it appears to being one of the main drivers for profitability. If not it is usually only communicated in a very week way or sometimes even not at all. When facing specific circumstances like time constraints for instance, the startups exclude the sustainability aspect out of their pitch as it is not important to communicate. If initially the startups value proposition was defined as rather sustainability oriented, one can assume that the startup will weaken the strength of the sustainability claim when approaching investors. This implies that in this situation the startup communicates different content to its investors compared to its customers. And also compared to what the startup employees stand for and would like to communicate as they would personally all like to include sustainability more as it is in their inner belief and values.

When approaching *socially responsible investors*, and sustainability stands in the core of their value communication due to above mentioned reasons, the communication content would align a lot more with the content communicated to their customers. However, if the startup targets B2B customers or B2C customers which do not care so much about the sustainability component, hence the value proposition was defined as rather economically focused, the startup would also need to adjust their claim. Socially responsible investors expect strong focus and communication on social value creation, hence why a more economically focused claim would deter them. So the sustainability aspect would need to be strengthened in this situation.

Summarizing, startups use different pitch decks, putting different focus on impact, depending on what kind of investor they are approaching. Within time they have learned which investor type wants to hear what and where it is important to put their focus and therefore react accordingly adjusting their pitch deck in regards to the strength of the sustainability claim. Where the key value proposition always stays the same, the sustainability aspect is the one aspect which gets modified depending on the audience. Hence often resulting in different communication content towards customers and investors.

However, generally speaking clean tech is never seen a negative thing, which usually does not deter investors. So startups at least always try to point it out, communicate that it's one of their core values and that it can be important for their customers (B2C). The startups always try to get in there as they believe that it gives them a better image. They just do not use it as their main value proposition and their key selling point as neither investors nor customers have come this far up until today to say that this is their main focus. It's a nice add on but not crucial.

5.2 Academic Implications

This study goes deeper in understanding how and why a startup which initially defines sustainability as one of its core values, adjusts its value proposition and communication content when it approaches different stakeholders. Unlike other studies, it therefore illustrates the whole progess and course of thought of a startup within this process. It shows that the core and origin of communicating sustainability to investors, already lies within the definition of the value proposition, which is highly influenced by customers and other factors.

Furthermore, this thesis contributes to the literature by qualitatively exploring how sustainability is perceived by different stakeholder types, focusing on investors. A general deterrence of traditional investor types is assumed, however, startups state that they do not believe it to be deterrence but rather indifference.

Lastly this study gives qualitative evidence that young entrepreneurs which start a business integrating a sustainability aspect as one of their core values are often misled by it. In the beginning, they believe it has a bigger impact on customers and investors as it actually has.

5.2 Managerial Implications

The research provides highly valuable insights for startups which have a sustainability aspect integrated into their business model and which are looking to attract funding. This study eventually understands and presents todays investors attitude towards these types of ventures and can therefore be used as a guideline for newly emerging sustainable startups to facilitate their funding process and survival in the market.

Startups should be aware by the still mixed perception and attitude regarding sustainability by customers and also investors. This study makes startups aware of the fact, that the own perceived attitude towards sustainability should not be generalized on larger society and that when it comes to a purchase decision of a customer, economic values are still pivotal. Up until today, sustainability is not yet a strong enough factor to either completely drive the customers purchase decision or the investors investment decision. Therefore this study gives a good guideline for startups to define and communicate the strength of their sustainability aspect.

CHAPTER 6: CONCLUSION

In the following part a final conclusion of the main findings of this study is being drawn, followed by a record of limitations and proposals for further research.

6.1 Conclusion

Intrigued by the engraving effects ecological issues already had and keep having on our economic ecosystem, the aim of this study was to understand how the newly emerging breed of startups that integrate a sustainability aspect into their value proposition should optimally position themselves in front of investors in order to successfully receive funding. The goal was to depict to what extend a startup should optimally communicate sustainability as parts of their value proposition to investors, whilst contrasting how they communicate it to other stakeholders such as their customers. The main study consisted of a multiple case study whose findings led to a conceptual model displaying the chain and strings which finally leads to startups communication strategy. It outlines that the final communication content is dependent on several aspects. Initially the startup shapes the boarders and basis through defining their value proposition in either a more *sustainability or economically oriented* way. This depends on factors such as what customer audience the company is targeting (B2B or B2C), what the teams personal perception and commitment towards sustainability is and the similar. Where the teams personal environmental attitude is usually very strong it appears to get downsized by their different stakeholders perceptions. Regarding customers, regardless of the occurring trend of customers putting greater importance on environmental friendly products and services, it seems like they still put greater importance on economic values when it comes to their final purchase decision. Hence startups mostly do not even define sustainability as the core pillar of their value proposition in the first place. Nevertheless, the definition of the value proposition is derived from the customers needs and therefore gets communicated to customers in the exact defined way. When it then comes to the "honesty" of the communication towards investors, whether the value proposition gets communicated the initial way or whether it gets "adjusted", it strongly depends on what investor type the startup is approaching. Where *socially responsible investors* want to hear the social and societal impact to a quite large extent, *traditional investors* on the other hand do not care so much about it. A startup needs to make corresponding changes.

Concludingly how strong a startup decides to communicate its sustainability claim to investors should then always depend on who they are approaching and communicating to. Startups should always communicate their "true" values to their customers and also investors, however, when it comes to investors they should remember to constantly adjust the strength of the sustainability aspect, putting weaker or stronger focus on communicating the impact they are making, depending on who they are approaching. Figure 3 gives a summary of the main findings, illustrated as a guideline for startups to most successfully communicate and potentially adjust their sustainability claim when approaching different investor types.

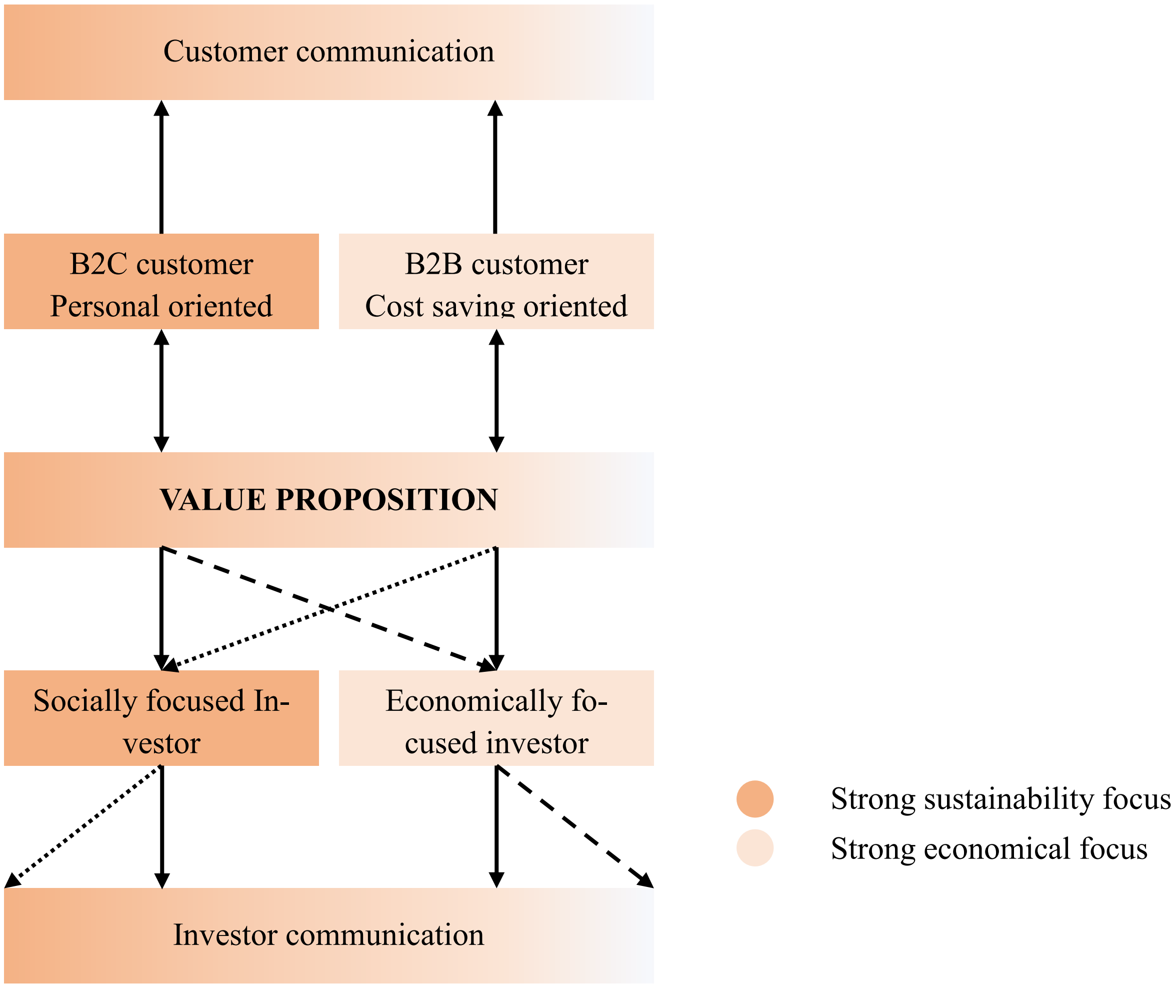

Figure 3: Decision tree for sustainable focused communication

6.2 Limitations and Further Research

As this study is part of a master dissertation, it is restricted by a limited timeframe and money. Therefore, it shows some limitations that the reader should be aware of and that may deliver recommendations for further research.

Firstly, the sample that was used for data collection cannot be considered as fully representative, since the sample size, with 5 study participants, is relatively low. Since all respondents answers were quite homogenous, a bigger sample size could possibly lead to a more representative result. For further research, the study could therefore be repeated with a more representative sample and a larger number of respondents.

Secondly, in order to draw even more specific conclusions, the individual successful funding processes should be investigated a lot more specific and precisely. What type of investor invested what kind of amount after the startup pitched what exact pitch deck. To what extent did they include sustainability and how strong did they communicate it in each individual process under the given circumstances. When it comes to investor type, one could further distinguish between individual characteristics such as age, gender, investment background and the similar. Since the sustainability trend appears to be a trend of younger generations, one could assume that younger investors are more sustainability prone etc. It would be interesting to dedicate a study going deeper into defining individual investor profiles and how their investment decision are influenced by sustainability.

Additionally, whether to successfully receive funding depends not only on how the value proposition is communicated to investors. But also on many other internal and external factors such as their business idea, their business model, the founders team, and the similar. Therefore this study does not give any indication if the suggestion for a "perfectly" communicated sustainability claim automatically leads to successful funding. In further research this could be investigated through additionally taking these internal and external factors in account.

Furthermore, demographics of the startup could be considered to a larger extent. Number of co-founders, age of the startup, size of the team, specific industry are examples for characteristics which could also have an impact on an investors investment decision. Further research could investigate with what kind of characteristics it would make sense for a startup to communicate sustainability to investors or not.

Another interesting approach for further research would be to investigate and validate how much sustainability derives a customer's purchase decision. This study lacks precise information regarding this topic. What startups stated within this study regarding their perception that customers still put greater focus on economic factors could be further analyzed and validated. This would also be interesting in the process of approaching investors, as it could be a good "justification" for a startup to communicate sustainability in a certain strong way.

Lastly, only startups from Europe were interviewed. Additionally, only one startup from each country was chosen. With not only a bigger sample adding further interviewees of each country, but also including startups from outside of Europe the study would be more representative.

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APPENDICES

Appendix 1: Interview guidelines

Interview questions

1) Evaluate startup and the **strength of sustainability** in the startup

- What exactly is your startup doing?
- Who are your customers?
- What is the main value your startup brings to customers/ society? (Value proposition)
- How strong would you say your sustainability claim is? Why?
    - On a scale from 1-10 how much is sustainability seen as the key value point in your business model?
- What is the most compelling selling aspect to your **customer/** what value do you communicate and why?
    - What factors do you believe derived your customers WTP?
- What are your competitors doing? Where do they base value?

2) **Funding** background and process

- How many funding rounds have you gone through up until now? What stage are you in right now?
- How much money have you raised through investors so far?
- Has your pitch changed from your initial intentions? How? Why?
- On a scale from 1-10 when having asked for funding how honest did you communicate your true Value Proposition to investors?
- Did you feel like you had to change your sustainability claim in order to successfully attract funding? Tell me more about this process! What's your experience?
- With all investors you've approached so far, have you always used the same pitch to attract funding?
    - If not, why not? What did you change and why?