Research Exposé:

Connecting Social Enterprise with Impact investing, Case Study in Borgata Paraloup (Italy)

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Abstract

There is a significant societal importance to connect alternative forms of social value creation organizations to a better practice of protecting human dignity and natural environment (Pirson et al., 2019). Differing from for-profit enterprise, social enterprise act for "Social Change" (Roberts & Bradley, 1991) and tend to achieve primary goals of tackling social issues including poverty, unemployment, gender difference, depopulation and so forth in less developed areas. Even though supporting social innovation (DiVito & Ingen-Housz, 2021) apparently requires priority attention, one of the major problems preventing social enterprises (SEs) from increasing their impact is the lack of efficient financial support (Robinson, 2006). Despite the growing body of literature on SEs (Santos et al., 2015), and to the best of our knowledge, no study has investigated with substantial scholarly attention at the SEs entry barriers to commercial financial market up until now. Therefore, the initial goal of this study is to investigate a social enterprise (SE) from a case study in order to understand why SEs are not efficiently utilizing commercial financing instruments, particularly impact investing. The empirical implication would be setting a shedding light on the SEs funding issues and providing a thread for future investigations on breaking down SEs' entry barriers to a larger pool of commercial financial investments. Although over the last decade, Numerous studies attempted to develop an advanced and integrated understanding of the function of social enterprise and social innovation, but very few studies attempted to review the key features of SE and establish any sort of systematic methodology to assess or quantify its creation of social value (Varga & Hayday, 2016). For-profit businesses can be measured and studied through financial reports when evaluating their economic performance, while it is still not formally standardized how to identify and measure the social benefits produced by social enterprises. On the other hand, growing alternative asset class such as impact investment is expanding its investment portfolios to the range of enterprise with social mission apart from purely chasing for financial returns. The amount of money invested in impact investing has multiplied over the past few years, but research has not kept up with the increased interest among practitioners. Long-term risks could result from a lack of information in the field as well as a lack of knowledge production in the sector (Agrawal & Hockerts, 2021). With the ambitious to gathering inspirations of relevant reasons of decoupling SEs and impact investing, this research departing with a SE case study in Borgata Paraloup (Italy), where a community-based SE is constantly working on multiple projects in a pursuit of preserving the cultural site and bringing it back to life by building up a sustainable Entrepreneurial Ecosystem in the rural area. To obtain empirical situation, the narrative approach (Polkinghorne, 1995) and semi-structured interviews with key informants in the social organization are used in this study. With the aid of Max QDA Data Analysis (Kuckartz & Rädiker, 2019) to decoding and classification techniques, it is possible to analyze the data from interview narratives while also abstracting the key information regarding the issues of SEs decoupling impact investment. The scholarly contribution of this paper would be addressing the issues of ineffectiveness in connecting SEs with impact investments. Having a

glancing into SEs both internally and externally for crucial explanations, this paper will offer empirical findings to raise awareness of the legal system, the government, the financial industry, and various stakeholders within the social entrepreneurial ecosystem in order to develop better solutions to support SEs with access to commercial finance resources, hence, to enable the scaling up of their social missions.

This paper is structured as follows: Section 1 gives a brief introduction. Section 2 presents the conceptual and theoretical framework. Section 3 reviews the literature with relevant theme. Section 4 outlines the methodological approach, the data while and discusses the empirical findings. Section 5 presents the methodology of this research. Section 6 presents our contributions in academic and practical perspective.

Keywords: Social Entrepreneurship, Social Enterprises, Hybrid Logic, Sustainable Investment, Impact Investing.

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List of Abbreviations

ARA	Actors-Resource-Activity
BP	Borgata Parloup
BPIS	Borgata Paraloup Impresa Sociale
CSR	Corporation Social Responsibility
ESG	Environmental Sustainability Governance
EEs	Entrepreneurial Ecosystems
ROI	Return on Investment
SI	Social Innovation
SE	Social Enterprise
SEs	Social Enterprises

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1. Introduction

There is an increasing number of social entrepreneurs and investors realize SE of all sorts can generate financial returns besides the social value creation, which makes SE to be more accessible to a larger pool of investors (Antony et al., 2012). Due to SEs are mainly focusing on social missions including advocacy and activism, environmentalism, education, health and social care, community services, ethical agriculture, horticulture, and food processing, as well as the social and economic integration of disadvantaged, excluded, and low-income populations (Defourny & Nyssens 2008; Santos et al., 2015). It leads to a more complicated range of growth constraints for SEs comparing to the commercial business that aim solely for economic success. Therefore, social firms must overcome obstacles to both achieving financial sustainability and creating social value (Davies et al., 2019). In this paper, we are looking for solutions to help SEs overcome the financing barriers. With such ambition, impact investment (Kölbel et al., 2020), in our opinion, is the way to go. With the clear expectation of verifiable social and financial returns, social impact investment provides funding to groups addressing social and/or environmental problems. It is one strategy to direct additional resources toward the sustainable development goals (OECD, 2019). Impact investing is specialized in aligning investors and investees with missions to solve issues in environment, societal, governance, sustainability, human welfare, and social benefits. Even though impact investing is growing, it is looking for eligible investees with social missions, on the country, there is a lack of mainstream study investigating why SEs have not yet gained much weight on its radar. In addition to analyzing what screening criteria are and to what extent they affect impact investors when choosing SE investees, this study will analyze the attributes of SEs regarding its intrinsic and extrinsic drivers of social value creation. Hence it brings up our research question: *What factors give rise to the effects of decoupling SEs from impact investing?* In order to further examine the problem and search for potential remedies, we shall make the following inquiry: If there is a set of performance measurement indicators could be developed to measure the social impact created by SEs and to facilitate information exchange between SE and impact investing?

We concluded that the "narrative inquiry" (Polkinghorne, 1995) approach would be the most effective way to achieve the objective of this empirical study, which is to look at the internal and external drivers of social value production in SEs. In order to get a thorough understanding of the interactions and information sharing between impact investing, SEs, and diverse social EE stakeholders, ARA theory will be applied as the theoretical approach which developed from industrial network model by Ha ̊kansson and Snehota (1989) to "focus on the organization-environment interface. The basic description of this network model is that continuous interaction with other parties constituting the context with which the organization interacts endows the organization with meaning and a role. When this proposition applies, any attempt to manage the behavior of the organization will require a shift in focus away from the way the organization allocates and structures its internal resources and towards the way it relates its own activities and resources to those of the other parties constituting its context." In the following chapters, we will first examine at how SEs utilizing hybrid logic (Searing et al., 2021) to set up intrafirm and interfirm interactions, and align for-profit business with social missions, then we will demonstrate the framework of connecting SEs and impact investing in a contextualized approach and systematic methodology. Previous academic studies that centered on SEs with relation to its hybrid logic and barriers to financial investment were noted with underdeveloped study areas in three demensions of research gaps: i) whether there is a set of parameters to quantify and evaluate the social value creation by social enterprise, if yes, what are the implications (Sulphey & Alkahtani, 2017; Nega & Schneider, 2014); ii) how to remove the financial barriers by the means of financial engineering for that social enterprise are in less favorable position in the aspect of accessing financial investment or issuing for bank loans et cetera (Robinson, 2006); iii) how to contextualize and formalize a strategy emphasis the main features of SE social value creation that to communicate with various stakeholders and to improve its fundraising capabilities especially of impact investing. Within the dimensions of the study, the primary goal of this paper is to comprehend the causes of the decoupling between social enterprises (SEs) and impact investing, then to investigate potential solutions that could connect SEs with a larger source of financial capital, enabling SEs to expand their social missions. We would generally presume that the main reason that SEs encounter entry barriers in the commercial capital markets, particularly with impact investing, is related to their hybrid logic of formation, which aligns their pursuit of social missions with business settings to provide for-profit business and services, increasing their complexity in value creation measurement and higher-level risks (Mersland et al., 2020). It has been pointed out (Wry & Zhao, 2018) that in social enterprises, hybridity could be the main source of conflict because social and financial logic frequently diverge. We will elaborate and examine SEs hybrid logic in the following chapters. In addition, further work at how SEs assess, report, and effectively communicate with the public and stakeholders in entrepreneurial ecosystems (EEs) about their social objectives and how they evaluate their social outcomes will likely result from the empirical implications of our findings, we anticipate.

This research contributes to the body of literature on SEs and impact investing in three aspects. First, in order to better comprehend the activities between SEs and their various stakeholders across EEs, it develops contextualized metrics that improve information exchange. Second, by connecting SEs with impact investment, this strategic approach will enable SEs to access a larger pool of capital to scale up social benefit initiatives and thus address human, environmental, and societal concerns. Last but not least, this paper answers the call from previous researcher for solutions to improve SEs funding capability and break their entry barriers to financial market, as Hynes (2009) pointed out “a language gap exists between the funding agencies and commercial institutions on how the contribution or return on investment (ROI) is articulated. For instance, social entrepreneurs do not refer to ROI in the same manner as financial institutions. This language gap should be bridged.” Therefore, the causes of the decoupling between SEs and impact investing will be discussed in the following sections, along with a framework that impact investors may use to empirically evaluate SEs investees to see if they are a good fit for their investment portfolio.

2. Theory of Framing

Over the past few decades, studies on social entrepreneurship and the hybrid logic of SEs are becoming more and more prevalent, it has been widely recognized that SEs as a business setting that in a pursuit of social entrepreneurs in aligning commercial profit while simultaneously expanding and producing social benefits. Though it is important for SEs to generate economic income and ensure the organization's financial stability, that often gave priority to social missions, particularly those that address social and environmental challenges. Because of this, it is critical to develop proper scholarly literature in this area to sustain SEs funding resources and spread knowledge with various stakeholders of SEs and the policymakers seeking for a systematic support on SEs and enable them scale up their social missions. Academic scholarship recently becomes more conscious of the necessity to remove obstacles that SEs encounter in entering the financial market and securing capital investment as a response of the strategic importance of creating a conceptual framework that can quantify and enhance the social benefit provided by SEs. Hence, improvements in SEs' access to the financial market and a larger pool of investment are crucial to the agenda. SEs could be categorized into three types of businesses forms (Shaw & Carter, 2007): not-for-profit, for-profit, and in a hybrid logic, which operates to generating revenues and creating job opportunities that is mostly reinvested back into the business. These business settings could be created into privately established entities or public-private partnerships. Despite the fact that conventional for-profit and non-profit organizations have access to a substantial body of literature on how to choose business strategies and generate revenues that are best for their respective economic and/or social goals. Limited academic research has been done to investigate this discourse, though social entrepreneurs and SEs appear to have both attributes with a greater potential of doing so (Searing et al., 2021). For this study, we consider SEs are hybrid entities, and social entrepreneur as the founder and key decision maker, that combine social missions with commercial operations to offer services or products to the public. The strategic intent is represented in the hybrid logic of SEs as well as for their business strategy and objectives, to obtain insight of its economic and social activities set by the social entrepreneurs. Studies revealed that SEs sometimes undermine the business perspective when the social values are predominated (Bornstein, 2004; Doherty et al., 2009). This could decrease the ability of SEs to generate commercial value and leads SEs to fade away in the realm of financial investments. Empirical research from (Hynes, 2009) presented that SEs could struggle in the similar situation of securing income or external funds to be able continue carrying out the social/commercial activities. These findings imply the social and business goals coexist, but SEs may not be able to provide adequate financial resource to hire or compensate employees with business expertise, which, in turn, limits their ability to grow their enterprises. Due to its significant concentration on the similar objectives of addressing social concerns and/or minimizing ecological deterioration, we believe impact investing could be a major source of finance for SEs, which will bring SEs to a larger pool of financial capital and enhance their social mission scaling up capability. And for this reason, it is critical to comprehend why SEs are decoupled with impact investments.

Researchers have tried to create indicators that might be used as a tool for sharing SEs social missions with diverse stakeholders, but they have run into obstacles. Since SEs are highly diversified in collaborating among a wide range of industries, including financial services, commercial services, agriculture, health, and social services. They often interact with for-profit and non-for-profit organizations with operations via a variety of SEs organizational structures (Alter, 2004). For this reason of SEs' diversified structures and operational industries, it can be challenging to develop a conceptualized framework to come up with a unified SEs performance measurement system (Herman & Renz, 1997). Regardless the lack of precise measuring standards for assessing the social performance of SEs, the typology of social value itself is incompletely understood, itself suffers methodological problems (Ryan & Lyne, 2008), such as the inclusion of the typology as social value, which must be conceptually defined and translated into quantifiable measures. Also, the cost for SEs to create a thorough and dependable social performance evaluation system in terms of data generation, staff time, and IT investments, as well as administrative and financial constraints, could be significant (Thomas, 2004). These issues all dealt with the challenges of creating a gateway for linking SEs to the commercial financial market because a lack of effective information exchange mechanism with investors about SEs competitive advantages and social impact of their work. In general, we would argue that the main reason that SEs encounter entry barriers in the commercial capital markets, particularly with impact investing, is related to their hybrid logic of formation, which aligns their pursuit of social missions with business settings to provide for-profit business and services (Mersland et al., 2020), increasing their complexity in value creation measurement and higher-level risks. As a result, conventional theories on understanding traditional financial market entrance barriers for profit oriented companies may not be sufficient to comprehend SEs that operate in hybrid logic.

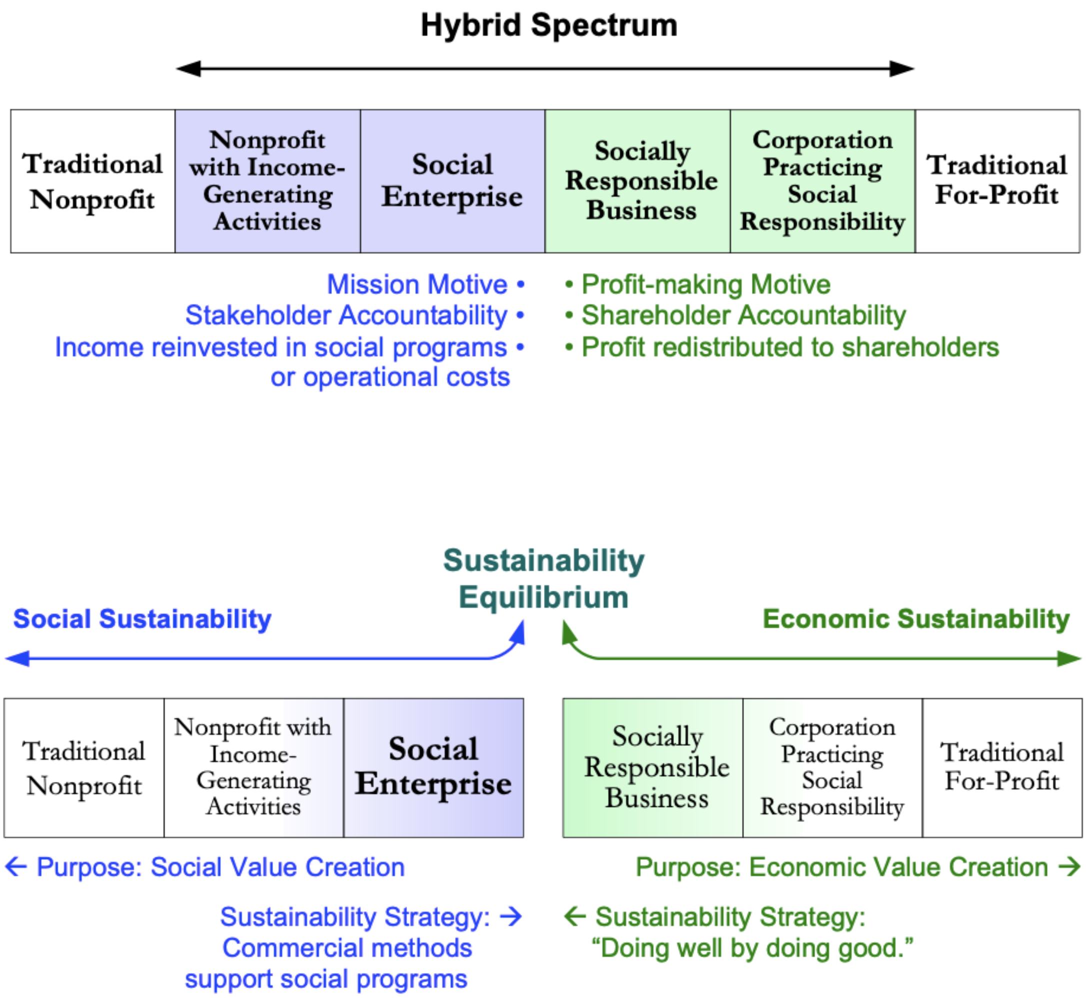
In the following chapters will present theoretical discussion surrounding social entrepreneurship, SEs hybrid logic and its funding strategy along with the obstacles, as well as the literature on impact investing, which is considered as a primary financial resource linkage to SEs. This is being done in an attempt to understand further about our research question: *What factors give rise to the effects of decoupling SEs from impact investing?*

2.1 Hybrid Logic of SEs

The hybrid logic has been widely discussed as a new organizational form that combines of both commercial business with delivering social value to addressing societal, environmental and humanity issues and so on. In this regard, the British Department for Environment, Food and Rural Affairs highlighted that SEs are for-profit companies with a philanthropic mission. They take many different forms, but they all endeavor to address social issues, community issues, changes in people's lives, or environmental issues (GOV. UK, 2013). Differentiated from a for-profit company where they would distribute a significant proportion of commercial profits, typically in the form of dividends, to "shareholder capital" as business directors have a responsibility to maximize shareholder investment returns. On the contrary, SEs actively chooses to share the economic surpluses they generated with a wider range of beneficiaries in the community or EEs rather than use its new-found market power to accumulate wealth for its owners, which is clearly distinguishes SEs from for-profit organizations. Due to this perception that SE are less profitable than commercial enterprises, and it is still underdeveloped in terms of a formalized approach to objectively evaluate SE's social value creation (Skinner, 2019). SEs are hybrid organizations that combine dual organizational logics—social and economic—in addition to simultaneously pursuing social and commercial goals (Battilana & Dorado, 2010), the ability to realize economic gains from commercial activities is the fundamental requirement to be able to successfully and continuously generate social value and expand social impact. Only when SEs become more profitable enterprises will they be able to retain adequate funds for scale up projects and initiatives that would benefit society.

The reality is that SEs operate like any other type of enterprise. SEs are committed to using trading goods or services to pursue commercial success, but they do so in support of realizing social objectives and to maximize the capacity to generate social value. Therefore, SEs ability to maximize social outcomes and maintain sustainability depends on their commercial performance, or profitability. To this extent, SEs can invest more in initiatives and substances that improve society if they are more financially successful. But on a more fundamental level, SEs capacity to stay in operation and carry out social mission over time depends on the ability to be profitable (Cobbett, 2019). A possible path is using Social Return on Investment (SROI) as Cordes, J. J. (2017) demonstrated that analytical benchmarks for attaching monetary values to such social benefits and social costs are provided by two important conceptual measures that reflect two broad ways in which public actions either add to or reduce social surplus. One is the concept of willingness to pay; the other is the concept of social opportunity cost. What standards/metrics could be utilized to measure SEs performance, and how can SEs adapt to those that may appeal impact investing, is the first topic this study tries to address. This article will attempt to establish a linkage of qualified metrics illustrating by a shared set of social engagements, resource ties, and activity links to connect SEs and impact investing, starting with the construction of a relationship substance framework based on the actors-resource-activities (ARA) theory (Lenney & Easton, 2009). The next step is to investigate how these social linkages may be incorporated into a conceptual and contextual "common language" that can address its social and commercial value to impact investors within the SEs communities and various stakeholders. As a result, the SEs may actively appear on impact investing's radar. Impact investors would gain from using this paradigm to perceive SEs and their social value creation activities. For a better understanding on the hybrid logic of SEs regarding its social mission and financial sustainability, it can be representing (Alter, 2007) in Figure 1 as below.

Figure 1.



Source: Alter, K. (2007)

2.2 SEs Financial Market Entry Barriers

According to the concept of a social enterprise (SE), these businesses are primarily focused on attaining larger social, environmental, or community missions. SE operates by offering products and services for the market in an entrepreneurial and inventive manner and uses its profits primarily to achieve social goals. SE prioritizes a social impact over making a commercial profit for their owners or shareholders (European Commission, 2017). Varga & Hayday (2016) identified four stages lifecycle development of SE (see Figure 2 below), they also point out that “in general, social enterprise need funding at all stages of their development, from blueprint to scale.” (p.15) Referring to what we have observed in BPIS, the managing director addressed the issue of obtaining enough funding for covering the business operation expenses. As a matter of fact, SEs would care more about protecting the natural environment in the region rather than ultimately making use of the historical heritage for tourism, BPIS only provides services to a very limited amount of people. Due to this specific reason, BPIS is not fully devoting into marketing or promoting their commercial business of tourism and hospitality sector in a large scale which consequently leads to a lack of commercial revenues. The majority of BPIS's funding comes from government and philanthropic sources. This serves as a proof that private financial source from family and friends may support SE with first seed money to get started and test its business strategy, it won't be enough to sustain it in the long term (Varga & Hayday, 2016). Although many investors care about social impact, they are still not with strong incentive to put aside requesting financial return instead of social return. It has been widely noted that SEs may not be able to afford issuing mainstream financial funding tools as their focus is social return instead of being for-profit oriented to general high enough rate of financial return to attract financial investors, hence resulting in a social-financial return gap that limiting SEs to access traditional financial markets. Apart from that, due to the fact that SEs may not charge competitive rates for their goods and services because they are operating with a mission-driven nature and the low socioeconomic position of their customers (less privileged people). However, pricing must be high enough to at least break even. This could explain why it's challenging for the majority of social entrepreneurs to achieve financial sustainability (Doherty et al., 2014). In line with former case studies, regardless of governance form, SEs struggle to obtain capital resources from providers of both commercial and social finance. However, the commercial expansion of an established SE to increase social impact is less appealing to social financiers than the creation of new SEs, on the other hand, the hybrid logic of SEs with dual goal is inconsistent with the requesting for economic returns on investment by commercial capital providers (Davies et al., 2019). As mainstream financial market is defined to chasing commercial investment objectives that can maximize financial return by obtaining the profit of providing products or services, separating apart from chasing social investment objectives, which are more orientated in their social missions of creating “merit goods” such as health, environment, education, well-being, human rights etc., other than for-profit goals. The lack of market instruments has been a major barrier to the growth of the impact investing. The impact investing market lacks or has only minimally developed financial infrastructures which are widely available to most financial institutions and services in the commercial capital markets, such as market exchanges, rating services, investment and bank loans, and specialized professional service providers like lawyers, trade dealers. SEs who are looking for impact investment must fill the gap left by the absence of these tools and services. Impact investing has the potential to accelerate development by directing financial resources to areas and industries that are unlikely to receive conventional commercial investment (Simon & Barmeler, 2010). The implications of these findings showing that an open problem remains of improving the accessibility of SEs to financial resources not only restricted in donation, charity, or government fundings.

Figure 2. SEs Lifecycle

Source: Varga & Hayday, 2016

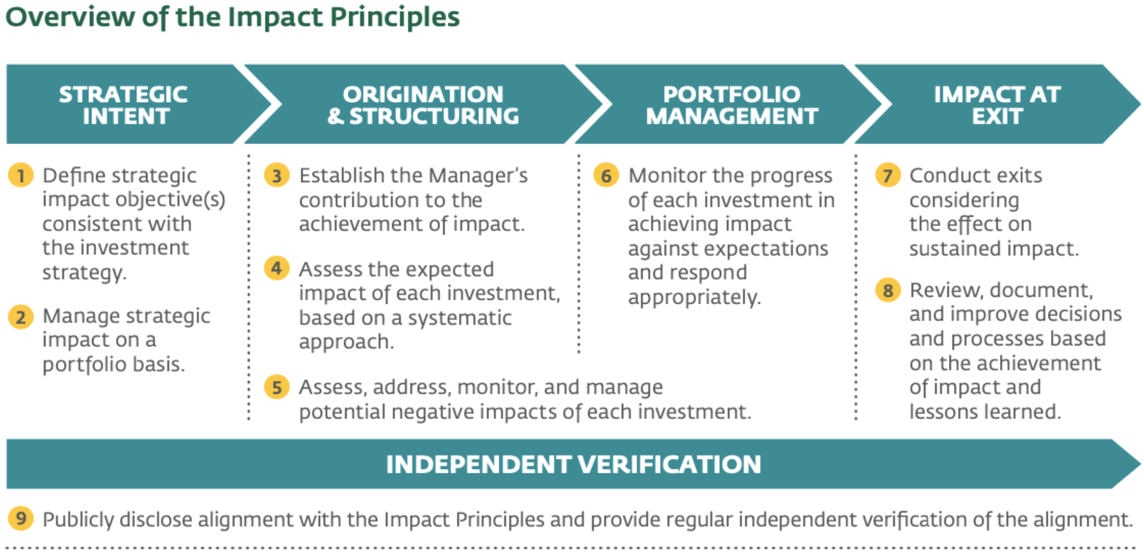
2.3 Impact Investing and Screening Criteria

Conventional commercial investment does not target the areas and sectors that impact investing does. Impact investing is not new, they are being used in a wide range of industries, including rural development to health care, housing for individuals with lower incomes, and water and sanitation etc. (Simon & Barmeler, 2010). Impact investments go beyond the prominent sustainable investment forms currently offered (Bose et al, 2019). Therefore, impact investing is established in the context of having an impact by investing in activities or programs that orientated in creating societal, environmental value and improving the quality of human livelihoods. Impact investments in particular have gained importance and velocity as the concentration on making the economy more sustainable and future-focused has increased. According to the current status of research in this domain, the majority of scholarly contributions focus primarily on theoretical issues and cover a variety of topics (Eckerle et al., 2022). Investments with a strong emphasis on addressing social issues and/or reducing ecological deterioration are known as impact investments. Impact investing firms generally invest with dual motives: generating a positive social impact and creating profits (Ashta, 2012). Both practitioners and academics are attempting to develop a systematic, integrated typology of investments, assets, or businesses that can be credited with the intention of solving difficult societal problems and/or reducing ecological and environmental deterioration (Busch et al., 2021). There are practical obstacles when comes to invest SEs, as a lack of consensus language to define and distinguish the potential qualified SEs. Academics tried to propose different determinations of metrics that impact investors could possibly navigate to their investment decisions on investment additionality. While SEs and investors have different objectives, they are all willing to take accountability for making a difference that goes beyond chasing purely on financial return. That is the primary differentiating attribute of impact investing. The terminology "impact investment" encompasses a wide range of activity and avoids unnecessarily limited interpretations and assumptions about what is and is not social benefit (Davies et al., 2019; Simon & Barmeler, 2010; Lall, 2017).

Impact investing has continually expanded its activities and increased level of maturity. International Finance Corporation (IFC, 2020) reported up to $2.281 trillion might have been invested for impact by the end of 2020. At the same time, these increasing numbers of impact investing raise the question of what the core characteristics of impact investing are and how to measure the positive impact. Meanwhile, there is not yet a unified applicable measurement system to evaluate SEs social impact and presumably due to the difficulties in capturing the accurate context of social value (Ryan & Lyne, 2008), which is different from quantitative financial indicators. Indeed, we find that impact goals are well described by similar approaches in the implementation of goals that are easier to observe than to measure. A related standpoint on the challenge of determining ex ante the form that impact will take ex post as well as the complexity of evaluating impact outcomes. Despite the challenges in developing a consistent impact measurement system, there is a growing tendency in academic research into metrics or indicators that aim to illustrate and identify the various aspects of value creation and performance in society and the environment (Christopher et, al., 2021). A noticeable proposal from Lall, S (2017) highlighted two sets of factors as ‘‘measuring to prove’’ (i.e., the externally driven need to demonstrate legitimacy in the social domain to key stakeholders) and ‘‘measuring to improve’’ (i.e., the internally driven norms of marketization and rationalization in the social sector that have emerged over the past four decades) that can be applied as indicators in SEs to measure the social impact and performance. In order to find empirical implications, this study will employ a qualitative investigation method to interview with SE informants about their perceptions of the social impact of SE, the social objectives achieved by the projects, and the financial difficulties they are currently facing (Hynes, 2009).

The impact investing industry has conducted relevant studies, IFC (Ariane, V., 2021) worked with other impact investors and the GIIN (Global Impact Investing Network) to bring together the two leading impact indicator sets—Harmonized Indicators for Private Sector Operations (HIPSO) and the IRIS+ catalog of impact metrics—into a set of Joint Impact Indicators (JII) that can provide a common basis for measuring and reporting impact. It has established an Operating Principles for Impact Management, or Impact Principles are intended to serve as the global standard for the design and implementation of impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle. In a summary, impact principles start with defining strategic impact objectives, could be financial assets, investing portfolios, social enterprises etc., that will contribute to positive impact. Throughout the lifecycle of investment management there are assessing, addressing, monitoring, managing till exiting the investing projects or activities (See Figure 3 below). This paper will review some of the most major findings and concepts surrounding this issue in the next chapters.

Figure 3.



Source: Secretariat, Operating Principles for Impact Investment. *www.impactprinciples.org/9-principles*

2.4 Strategic Approach of Funding SEs

Impact investing is without a doubt becoming a more significant source of finance for SE. Using social impact assessment metrics to successfully connect SE with impact investing has practical implications that could help the EEs for enlarge in social innovation and support social entrepreneurship grow. In additionally, it also provides impact investors a novel concept in developing screening instruments on SEs versus SEs who could integrate the measurement metrics into their business strategy. However, there are apparently limitation of scope and method while creating a typology of impact investment measurement goals. For instance, evaluating social impact criteria for their applicability, thoroughness, neutrality, and dependability; interviewing the individuals in charge of the pertinent project or activity; putting analytical processes into practice and testing the indicators' consolidation; gathering evidence for the indicators, such as databases and reports on impact investment (Luukkonen, 1998). The criteria will vary when there are changes to the financial indicators that can be used to provide an evaluation of the social value produced by SE. It has been suggested on setting a group of reference-case-based criteria with a comparison financial indicator of the referring case or project. Additionally, it could be a collection of threshold-based requirements that holds a set of financial indicators connected to benchmark values (European Commission, 2022). If these benchmark measurement criteria apply, it could increase the rate of SEs with a positive social impact to receive impact investments allocated from financial institutions, reducing the restrictions on SEs external financing (Kölbel et al., 2020). While impact investors might screen out investees based on their lack of ESG practices by investigating in a small range of distinct and openly disclosed activities. As qualitative analyses go beyond merely identifying a set of categories that give the specific database pieces their identities. It looks for a second level of analysis needed to pinpoint the connections existing between and within the pre-existing categories. According to the network and information exchange model (Gadde et al., 2003), an organization develops meaning and a purpose through ongoing interactions with the external parties that constitutes its context. In situations where this statement is true, any attempt to control an organizational behavior will directedly leads to a change in emphasis away from how the organization divides and organizes its internal resources and toward how it links its own activities and resources to those of the external parties that make up its settings.

Referring to the network model of the organization-environment interface, competitive advantages of the organization can be acquired and developed through the interactions with its counterparts and the resources exchanged with the environment, to engaging both dimensions into its operational activities and integrate/internalize to the best practice (Håkansson and Johanson, 1988). This network theory fits in our conceptual framework as to further explore the relationship between mobilizing resources and developing activities reacting to the changing environment, thus revealing social value creation process, with the goal of exploring impact indicators in SEs socio-economic realization process. There are few dimensions of addressing the strategic approach to bridge the comprehension gap between SEs and impact investing. First, we build the framework based on ARA theory (Lenney & Easton, 2009) that actors across different industry/sector/profession can interacted and influence each other effectively through relevant information exchange, and bring positive outcome also improve overall performance. Secondly, the methodology to investigate metrics of measuring social performance with perspective from major actors i.e., social entrepreneurs and impact investors. By the means of paradigm analysis of narrative, which abstract the key common elements from narrative data collected via qualitative research, base on which can build up the "common language" to connect both actors, communicating with each other and interact the activities across sectors and reach an improvement in overall performance, in the case here is enlarge the social benefit overall by empower SEs upscale their social missions with adequate funding resources. Last but not the least, apart from the common language withing the ARA theoretical foundations, practically there are also few means to apply, such as separated accountant concept of ESG/ISR criteria to take into consideration.

3. Literature Review

To systematically assess the body of literature already in existence and respond to the research question, a systematic literature review is necessary (Budgen et al., 2007). This research dealt on several literary themes, to get an in-depth perspective and breadth of information on the subject of SEs and impact investing, we started our search by casting a fairly wide net through Publish or Perish and Google Scholar, and then we focused on scholarly literature categorized as below (see table 1).

- *Entrepreneurship in contributing economic development*
- *SEs in rural development, social missions particularly*
- *SEs financial markets entry barriers*
- *Sustainable investing, impact investing, social objectives, screening criteria (ESG/CSR)*
- *Current propositions of solutions (accounting, financial innovation)*

- *Methodology, narrative interpretation, paradigm narrative analysis*

Table 1

	Reference	Content
1	Varga, E., & Hayday, M. (2016). A recipe book for social finance: A practical guide on designing and implementing initiatives to develop social finance instruments and markets. European Commission.	Social enterprises need financing for different purposes, depending on their field of activity, business model and maturity. Money is most commonly used to finance working capital, for asset development (purchase of property or equipment) or to build reserves or growth capital (growth capital could include the expansion of existing services, investment in infrastructure or innovation). Matching the available forms and amounts of finance with the desired purpose is a challenge in most markets, because the risk and return expectations (both social and financial) of investors and investees do not often align. Many social enterprises and, by association, the funds, investors and intermediaries who serve them work with marginalized or excluded (from the mainstream) communities. They can face multiple challenges: poor infrastructure, beneficiaries or customers with limited ability to pay, difficulties in attracting talent, and often non-existent supply chains. These challenges are likely to mean additional costs and risks, with little ability to compensate for these costs and risks through high financial returns for investors. As a result, most investors avoid these enterprises altogether or decide to invest at a later stage.
2	Alter, K. (2007). Social enterprise typology. Virtue ventures LLC, 12(1), 1-124.	Social enterprises, like any other business–micro or corporation, need capital to grow. It's not only a question of financing, but also of the right kind; capital must correspond to social enterprise financial needs, business cycles, and maturity. Furthermore, like any other business, the best make good use of borrowed capital and their own risk capital. Access to capital, however, is a constraint social enterprises continue to face. The reasons are fourfold: 1.Nonprofitcapitalmarketsareimmatureandunderdeveloped,andth ereislittleavailabilityof financial instruments appropriate for capitalizing nonprofit businesses. 2.Ownershipandregulatoryissuesbarnonprofitsfromaccesstofinanc ing–theycannotissueequity or distribute profits. 3.Nonprofitmanagersarefinanciallyriskadverseandhenceoftensteer clearofoptionstoleverageor borrow funds in order to capitalize their enterprises. 4.Forthenonprofitmanagerwillingtoborrow,thelackofcollateral,cre dithistory,orfinancial competence are other factors that prohibit access.

3	Cordes, J. J. (2017). Using cost-benefit analysis and social return on investment to evaluate the impact of social enterprise: Promises, implementation, and limitations. Evaluation and program planning, 64, 98-104. https://doi.org/10.1016/j.evalprogplan.2016.11.008	Return on Investment (ROI), the SROI is a metric that compares the monetized social costs of a program with the monetized social benefits of achieving an outcome (or set of outcomes). The paper discusses the potential uses and limitations of CBA and SROI as tools that governments, private donor/investors, and foundations can use to help set funding priorities, and evaluate performance. It summarizes: (1) the conceptual foundations of CBA and its application to SROI analysis, (2) issues raised in the implementation of CBA and SROI in practice, and (3) discusses when CBA and/or SROI approaches are a useful lens for setting priorities and/or evaluating performance, as well as important limitations of such methods. The analytical benchmarks for attaching monetary values to such social benefits and social costs are provided by two important conceptual measures that reflect two broad ways in which public actions either add to or reduce social surplus. One is the concept of willingness to pay; the other is the concept of social opportunity cost.
4	Antony, B. L., Bruce, K., & Nalin, K. (2012). A New Approach to Funding Social Enterprises. *Harvard Business Review*. https://hbr.org/2012/01/a-new-approach-to-funding-social-enterprises	Robert Kaplan and Allen Grossman argued in these pages (see "The Emerging Capital Market for Nonprofits," HBR October 2010), investments in social causes will remain chronically inefficient unless the social sector comes up with transparent ways to measure, report, and monitor social outcomes. Greater precision and transparency with respect to social outcomes will make it easier to disentangle the social returns and risks of a blended business from the financial ones. This in turn will allow a social enterprise and its investors to determine the appropriate balance between charitable and noncharitable capital, and from there the enterprise can use the machinery and infrastructure of the financial markets to the fullest. All parties will benefit. Donors will be able to leverage their gifts to support more activities, and they will be better able to assess the effectiveness of their donations. Social enterprises will have access to the capital they need for growth consistent with their social missions. Financial investors will have a hugely expanded range of investment opportunities.
5	Block, J. H., Hirschmann, M., & Fisch, C. (2021). Which criteria matter when impact investors screen social enterprises? *Journal of Corporate Finance*, 66, 101813. www.elsevier.com/locate/jcorpfin	Our study assesses impact investor criteria when screening social enterprises. we find that the three most important criteria are the authenticity of the founding team, the importance of the societal problem targeted by the venture, and the venture's financial sustain- ability. We then compare the importance of these screening criteria across different types of impact investors (i.e., donors, equity investors, and debt investors). We find that donors pay more attention to the importance of the societal problem and less attention to financial sustainability than do equity and debt investors. Additionally, equity investors place a higher value on the large-scale implementation of the social project than do debt investors. We contribute to the nascent literature on impact investing by documenting how impact investors make investment decisions and by providing a nuanced view of different investor

		types active in this novel market. Practical implications exist for both impact investors and social enterprises.
6	Håkansson, H., & Snehota, I. (1989). No business is an island: The network concept of business strategy. Scandinavian journal of management, 5(3), 187-200. https://doi.org/10.1016/0956-5221(89)90026-2	This article is to explore the contributions that could be made to the conceptual frame of reference for business strategy management by one of the research programmes which focuses on the organzation-environment interface, and to which a network approach has been applied. The network model: continuous interaction with other parties constituting the context with which the organization interacts endows the organization with meaning and a role. When this proposition applies, any attempt to manage the behavior of the organization will require a shift in focus away from the way the organization allocates and structures its internal resources and towards the way it relates its own activities and resources to those of the other parties constituting its context. Such a shift in focus entails a somewhat different view of the meaning of organizational effectiveness: what does it depend on and how can it be managed?
7	Lall, S. (2017). Measuring to improve versus measuring to prove: Understanding the adoption of social performance measurement practices in nascent social enterprises. VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations, 28(6), 2633-2657. http://doi.org/10.1007/s11266-017-9898-1	We distinguish these two sets of factors as ''measuring to prove'' (i.e., the externally driven need to demonstrate legitimacy in the social domain to key stakeholders) and ''measuring to improve'' (i.e., the internally driven norms of marketization and rationalization in the social sector that have emerged over the past four decades), and examine the literature related to both sets of factors. It is understandable that social entrepreneurs that have previously founded or worked in nonprofits would carry these imprints to new organizations that they create. We suggest this finding represents an important direction for future research on the development and evolution of practices and norms in the social enterprise sector.
8	Kölbel, J. F., Heeb, F., Paetzold, F., & Busch, T. (2020). Can sustainable investing save the world? Reviewing the mechanisms of investor impact. Organization & Environment, 33(4), 554-574. https://doi.org/10.1177/1086026620919202	Investor impact of SI as it is practiced today is rather modest. This article concludes that shareholder engagement is a promising way to ensure investor impact. At the same time, they hold a number of implications for investors, rating agencies, and policymakers with regard to how investor impact can be increased. First, investors who want to stimulate real-world impact can roll out shareholder engagement throughout their portfolio. Second, investors can allocate capital to companies with a positive company impact that are constrained in terms of their growth by external financing conditions. Third, investors can screen out investments based on the absence of ESG practices, focusing on a few specific and transparently communicated practices. Fourth, investors who are convinced that they can have indirect impacts should attempt to demonstrate them.
9	Simon, J., & Barmeler, J. (2010). More than money: Impact	A different approach could focus on the one or two most important social or developmental objectives of the enterprise and ensure

	investing for development (No. id: 3299).	that they are measured rigorously. To the extent these objectives are at the core of the enterprise's mission, which they should be as potential impact investments, tracking them would be a prerequisite for managing the business well and would likely be built into the processes and procedures of the business. Such an approach would not immediately allow comparisons across different impact investments the way one can compare financial metrics such as liquidity, cash flow, and internal rate of return. Yet over time, metrics and methodologies that attract the most investor interest could be disseminated as best practices, beginning with each sector… In the meantime, impact investments would have to be sold as "story bonds," requiring more explanation than commoditized investments, and therefore offering the investor somewhat less liquidity.
10	Polkinghorne, D. E. (1995). Narrative configuration in qualitative analysis. International journal of qualitative studies in education, 8(1), 5-23. https://doi.org/10.1080/0951839950080103	Narrative inquiry refers to a subset of qualitative research designs in which stories are used to describe human action. The term narrative has been employed by qualitative researchers with a variety of meanings. In the context of narrative inquiry, narrative refers to a discourse form in which events and happenings are configured into a temporal unity by means of a plot. Paradigmatic-type narrative inquiry gathers stories for its data and uses paradigmatic analytic procedures to produce taxonomies and categories out of the common elements across the database. Narrative-type narrative inquiry gathers events and happenings as its data and uses narrative analytic procedures to produce explanatory stories.

4. Research Model

Traditional quantitative techniques of evaluating an enterprise's overall performance have been shown to fall short of accurately capturing the true social and economic value of SEs (Darby & Jenkins, 2006). Therefore, in the exploration and investigation into the above research topics, this paper is departing from a qualitative case study of a social enterprise Borgata Paraloup Impresa Sociale (BPIS) located in Borgata Paraloup (BP), Italy.

4.1 Research Context and Case Study Background

The context of this research is divided into two main sections: academic material and empirical investigation, which is the case study on BPIS. To improve the quality of the research, we apply the systematic literature reviews as an approach that is clear and concise (Tranfield et al., 2003). The citation list was then scrutinized both before and after the forward and backward searches: Relevance of the title, the abstract, the full article scan, and the whole article reviewed, and selected journal is deemed ranked if it is mentioned in the VHB journal ranking or has received less than 20 citations. The empirical case study on BPIS was chosen because it well suits this study purpose in aspects of its wide range of social and commercial elements, and because its organizational structure, institutional identity, social missions, individual entrepreneurs, and rural development which are all in line with this research methodology.

It is necessary to briefly give some background information regarding Borgata Paraloup (BP) to better comprehend the organization of BPIS and its projects, which will be thoroughly explored in the next chapters of the case study. Between September 1943 and the spring of 1944, PB served as the first command center and housed the leadership (Duccio Galimberti, Dante Livio Bianco, and Giorgio Bocca) of the partisan bands of Justice and Freedom of the Cuneo region. It is located in the alpine village of Paraloup at 1,360 meters in the municipality of Rittana, Cuneo, Italy. A non-profit organization Fondazione Nuto Revelli (Italian) purchased and renovated this historical site and turned it into a local social-cultural community to preserve BP as the significant historical place: that of the resistance movement and that of peasant life that took place there before its abandonment. Additionally, in order to adhere to Italian regulations and laws, Fondazione Nuto Revelli established BPIS. To understand how BPIS leverage resources and create social impact in the community, this research will conduct semi-structured interviews with key informants in BPIS and various stakeholders who are participating in projects with BPIS or within the local EEs. We will endeavor to discover how do they engage in the social mission activities and what are their challenges with managing SE, particularly their approach in fund-raising perspective and their approach to financial investments. To obtain the insights and find out possible indicators that can explain and respond to our research question. This research model is composed of three main structures that move from our research question to hypothesis, then we conduct an investigation using empirical cause-and-effect research to find explanations. Our assumptions were formed through a literature review and previous scholar research on the pertinent topic.

4.2 Research Design and Data Collection

With the ambitious to gathering inspirations of relevant reasons of decoupling SEs and impact investing, this research departing with a SE case study in Borgata Paraloup (Italy), where a community-based SE is constantly working on multiple projects in a pursuit of preserving the cultural site and bringing it back to life by building up a sustainable Entrepreneurial Ecosystem in the rural area. In order to obtain empirical situation, the narrative approach (Polkinghorne, 1995) and semi-structured interviews with key informants in the social organization are used in this study. The scholarly contribution of this paper would be addressing the issues of ineffectiveness in connecting SEs with impact investments. Having a glancing into SEs both internally and externally for crucial explanations, this paper will offer empirical findings to raise awareness of the legal system, the government, the financial industry, and various stakeholders within the social entrepreneurial ecosystem in order to develop better solutions to support SEs with access to commercial finance resources, hence, to enable the scaling up of their social missions.

4.3 Data Analysis

With the aid of Max QDA Data Analysis (Kuckartz & Rädiker, 2019) to decoding and classification techniques, it is possible to analyze the data from interview narratives while also abstracting the key information regarding the issues of SEs decoupling impact investment.

4.4 Research Propositions - Findings

(To be continued from data collection & analyzed from qualitative interviews)

5. Methodology

In this research, we used an extensive, exploratory, interpretive study approach to investigating for the causes that lead to SEs decoupling from commercial investments (Guba & Lincoln, 1998). We depart from a case study approach to acquire rich and contextualized data with the potential for theory development from key informants who are employed by the BPIS as well as those who are the major stakeholders in the local and entrepreneurial ecosystems. Two pilot stages were conducted before the main empirical data collection in accordance with an exploratory case study research design (Gillham, 2000; Yin, 2013).

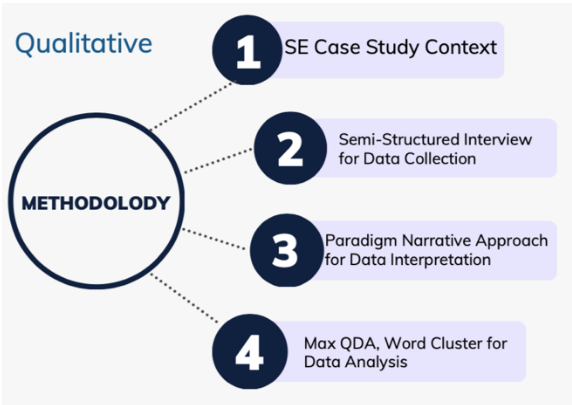
5.1 Data Collection (TBC)

In order to gain a comprehensive understanding of the organizational structure of BPIS and the managerial implementation, data collected by informal interviews were first held with the general manager of BPIS and three employees that oversee specific project management in the area. To identify the best methods of data collecting (Yin 2013) that would offer in-depth insight into obstacles to commercial fund-raising and strategic responses, we then gathered primary and secondary data from BPIS. (See from figure 4) In-person interviews with the head of operations and project managers were done in addition to telephone interviews with executive managemer. Information from internal documents, such as business and strategy plans, information from the website and social media, and secondary data from MaxQDA were all triangulated with the interview data. Data from the BPIS case study analysis indicated the necessity for a narrative interpretation method (Polkinghorne, 1995) to primary data collecting, supported with secondary sources for triangulation.

5.2 Data Analysis (TBC)

Our research strategy focused on obtaining in-depth narrative information from informants. This was accomplished by asking respondents to address three broad issues: the aspirations behind and major events in the development of BPIS; the social missions, objectives, and business strategy of BPIS; and the challenges to obtaining financial investments to achieve social missions and objectives. Informants were invited to reflect on their experiences and perceptions of entry barriers in commercialized capital market to answer questions such "Could you talk about what drives you to set up this organization and what are the social concerns you are seeking to address to the public. Over ## pages of single-spaced text were written from the verbatim transcription of the recorded interviews. The accuracy of each transcript was then checked with correction when needed. Further analysis on the collected data will process by Max QDA for derailed study.

Figure 4



6. Expected Contributions

According to the overview of the research, the majority of scholarly contributions focus primarily on theoretical issues and covers a broad range of subjects. Regarding the relationship between impact investing and SEs in the past decade, there is no compiled state of the knowledge in academic research. This study does a systematic examination of case study to respond to the queriers on why SEs is often in the case of decoupling impact investing and how we could connect these two important players to scale up the environmental and social benefit for all. Therefore, this study aims to act as a starting point to fill this research gap.

6.1 Scholarly Contributions

This research contributes on several literary themes including debates of the idea of social entrepreneurship, SEs, sustainable investment particularly impact investing. This case study took an in-depth investigation on how the social organization interacts with the environment as well as mobilize the resources to not only create social value but also capable to generate economic profit. Entrepreneurs that particularly focus on pursuing social value creation and addressing sustainability of the environment instead of purely engaging with for-profit activities are more likely to set up business that could be defined as social enterprise. Given that stakeholders provide an organization essential concrete and intangible resources that may be used to gain a competitive advantage, the motivation and involvement with the sustainability vision of an enterprise becomes increasingly relevant (Bischoff, 2021). Social enterprises usually are more devoted into less developed area and attempting to solve issues in society and natural environment, by launching projects that involve local community in the exploration of resolutions societal concerns and alternative lifestyles. While entrepreneurs may not simply focus on pursuit of for-profit activities and set material prosperity as their primary or only goals, they do build and manage SEs that are in line with their own values, beliefs, interests, and passions, thus they cannot be characterized as with no interest in the financial success of the enterprises (Marcketti et al., 2006). SEs engaged in developing rural area could be described as a complex economic and social activity that affects the development of rural territories at the same time. It is defined by a specific geographic, physical, and human environment, is rural in design, and is characterized by complex interdependencies, a high degree of diversity, and continual change. It is frequently emphasized how often SEs there are, most of which are small and often inadequate in resources, professional connections, and business skills in a demanding, competitive global market environment (Lane & Kastenholz, 2015; Pato & Kastenholz, 2017; Skokic, Lynch, & Morrison, 2019).

In this research, we found that SEs have initiated the creation of successful business in this rural area, but also through fostering networks that improve the local community's well-being in a variety of ways, such as promoting the utilization and commercialization of local products and creating innovation events and increasing the sales of local enterprises that have complementary sources of supply. The financial entry barriers we overserved in this case study (to be displayed) contribute the scholars a new perspective regarding to the impact of organizational structure and individual entrepreneurship on the fund-raising approach in the social enterprise…. (to be continued)

6.2 Implications for Business and Society

In this paper, we conduct an empirical case study that demonstrates how a social enterprise interacts with its stakeholders and develops a business strategy that is also in accordance with social missions. From qualitative interviews with key informants in the organization, we also discover the cause/reasons why commercial financing, in particular, impact investing, is not actively engaged or approached by SE management/decision makers, even though they apparently perceive impact investing as a potential source of funding. A greater operational and financial balance of SEs remain under investigation, as well as the overall experience which appear to be influenced by the variety of activities carried out in rural areas, such as local agriculture, diverse tourism program (such as accommodation or historical tourism), or selling local farm products (Kastenholz, Carneiro, Marques, & Lima, 2012). SEs distinctive business approach of creating social mission, willingness to collaborate with others and realize shared interests leads to a favorable outcome as well as better, apparently more sustainable entrepreneurial ecosystems, which are noteworthy. (Komppula, 2014; Lane, 2015). The collaboration and engagement among various stakeholders and related parties significantly improves the experience-enhancing practices (Komppula, 2014).

It has shown that impact investment and SEs have aligned or shared similar social missions, this research aims to identify empirical reasons why SEs are not effectively coupled with sufficient commercial financial resources, in particular, with impact investing. This case study was created to gain an in-depth understanding of the demand side of SE's perspective as a fund raiser, including their funding strategy, the financial obstacles they encounter, the extent to which they are considering impact investment as a potential stakeholder and in what form, and so forth. The implications of this study will provide first-hand empirical evidence for future exploration regarding construct an efficient network to connect SEs and impact investing. In brief, we have noticed that impact investing has two heuristic implications which aligned with what have been demonstrated in the preliminary studies. First, impact investors can control how much their portfolio companies spend. Companies that make enough income to be sustainable may decide to put some of the extra funds they generate to waste. Impact investors can extract and redistribute such gains by an investment. Second, a lender can enable the business owner to seize a lucrative opportunity that occurs because of investments made based on their social significance by obtaining a share of the company. Impact investors contribute to the value of a company's profit by giving it another channel for deployment (Roth, 2019).

7. Chapters Review

Follows a provisional overview of the research division in chapters and sections.

Abstract
List of Abbreviations
List of Figures

List of Tables
1. Introduction
2. Theoretical Framing
   2.1 Hybrid logic of SEs
   2.2 SEs Financial Market Entry Barrier
   2.3 Impact investing and Screening Criteria
   2.4 Strategic Approach of Funding SEs
3. Literature review
4. Research model
   4.1 Research Context and Case Study Background
   4.2 Research Design and Data Collection
   4.3 Data Analysis
   4.4 Research Propositions - Findings
5. Methodology
   5.1 Data analysis
   5.2 Research findings and Discussion
6. Expected Contributions
   6.1 Scholarly Contributions
   6.2 Implications for Business and Society
7. Chapters Review
8. Work Plan

9. References

8. Work Plan

The following table represents the estimated work plan and will be constantly updated.

Table 2

Time period	Activity	Status
1st Sept. 2022 - 23rd Oct. 2022	Research and Exposé	☒
23rd Oct. 2022	Exposé submission	☒
24th Oct. 2022 - 31st Oct. 2022	Contact and finalize the informant list	☐
1st Nov. 2022 - 18th Nov. 2022	Semi-structed interview design and implementation	☐
19th Nov. 2022 - 30th Nov. 2022	Data collection, analyze and translation in narrative approach	☐
1st Dec. 2022 - 8th Dec. 2022	Empirical findings	☐
9th Dec. 2022 - 10th Jan. 2023	Thesis final developments	☐
11th Jan. 2023 – 13th Jan. 2023	Proofreading and final check	☐
13th Jan. 2023	Thesis submission	☐
20th /21st Jan. 2022	Thesis defense	☐

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