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Evaluating impact investment strategies from a social ecological economics perspective

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Social economy organisations are attributed a major role in solving societal and environmental problems and in implementing social innovations in Europe. These organisations are private entities running economic activities whose main purpose is to provide goods and services to their members or the community at large, with profits coming second. Nevertheless, these organisations are not sufficiently supported, especially from the capital market side. Not all impact investors, which in principle should be investors with the goal of creating social and environmental benefit, are strategically aligned with the social economy entities. An identified reason could be the structurally embedded relationship-to-profit of impact investors which refers to their legal distinction in for-profit or not-for-profit. Consequently, the objective of this research is to critically evaluate the strategic decisions of impact investors paying attention to their relationship-to-profit and using indicators that assess their compatibility with social economy entities. This is done to fulfil the aim of distinguishing impact investors according to their supportiveness towards the social economy.

A framework is developed that captures the influence of the relationship-to-profit on the strategic decisions of impact investors. This framework is then used as an instrument to test predictions from the theory implementing a case study approach including four diverse impact investment organisations.

The results from qualitative coding and survey answers indicate that not-for-profit impact investors choose with almost no exception the strategy that is aligned with the social economy across all dimensions. On the other hand, for-profit investors compromise on the possible social benefit achieved by mainly investing in for-profit entities and not being transparent about their profit utilisation among other less socially beneficial choices.

These findings stress the importance of bringing in the relationship-to-profit as an important indicator when evaluating social and sustainability impacts.

Keywords: Social economy, impact investing, relationship-to-profit, social ecological economics.

1. Introduction

The launch of the Social Economy Action Plan by the European Commission in December 2021 has been a big step towards acknowledging that the social economy contributes substantially to building a more resilient economy. During the Covid-19 pandemic, social economy entities have been at the forefront of the crisis and are generally conceptualised to offer concrete and innovative solutions to challenges society is facing (European Commission, 2021).

According to the EU definition, social economy entities forming the social economy are organisations that prioritise social and environmental purpose over profit, reinvest most of their profits and surplus to carry out activities in the interest of its members, users, or society at large and follow democratic or participatory governance (European Commission, 2021). This definition overlaps broadly with the definition of a not-for-profit business, which has a legally binding social benefit purpose, reinvests all its profits to support social causes and is collectively owned since there exist no private financial rights through equity ownership (Hinton, 2020a).

The relationship-to-profit theory, which falls under the social ecological economics perspective, advocates for a transformation to a not-for-profit economy composed of the described not-for-profit businesses since it identifies the profit maximisation goal of businesses as the main driver of the exploitation of people and planet, keeping harmful dynamics in place.

1.1 Research Problem

In order to support social economy entities, the Social Economy Action Plan intends to facilitate their access to finance (European Commission, 2021). Although the investment sector has also seen a move towards social and environmental issues as research from Credit Suisse (2020) shows, the social economy is still lacking capital (European Commission, 2021). The substantial growth of *impact investing*, which describes an investment approach that aims at a financial return and some kind of intentional non-financial return which can be social or environmental (Höchstädter & Scheck, 2015), stands in contrast to the large capital demand of the social economy (Hand et al., 2020).

This can partially be explained by the fact that impact investing is still only a niche in comparison to the entire capital market with 0.715 trillion USD in comparison to over 100 trillion USD of assets that were globally under management by financial institutions in 2020 (Hand et al., 2020; PwC, 2020). Nevertheless, it also shows that there exist multiple understandings of what it means to invest socially or with impact, which drives impact investors to invest elsewhere instead of in the social economy as part of their sustainability strategy. Although investments in social economy entities enter the strategic range of impact investors, they differ in return on investment and exit opportunities in contrast to traditional investment expectations that are still prevalent (Hand et al., 2020).

What has been overlooked is that the investor's legally-binding purpose, investment and ownership structure, what has been conceptualised by Hinton (2021c) as the relationship-to-profit, influences the investor's strategy and expectations. As such, these structural aspects can be decisive to identifying impact investors that are willing to support social economy entities leaving traditional return and exit expectations behind. To concisely summarise the problem, the diversity of sustainability strategies and the ignorance of the legally-binding structural aspects of businesses in the impact investment sector contribute to the unfulfilled financial needs of the social economy.

1.2 Aim and Scope

In order to specifically support the social economy, it is necessary to distinguish and identify values-driven investors whose strategy supports social economy entities and whose structural aspects are in line with the not-for-profit economy. Consequently, the aim of this research is to identify financial institutions with business models that support and are in line with the not-for-profit economy and conceptualise this category in order for it to be clearly distinguishable from other forms of impact investing. Microfinance institutions are certainly premised on alternating traditional return and exit expectations in order to combat financial exclusion and will form part of the analysis. With this added clarity, public entities have a higher chance to succeed in supporting the social economy by incentivising the right investors and with them concrete and innovative solutions to the key challenges society is facing.

The research brings a social ecological economics perspective into the impact investing debate by using the relationship-to-profit theory to categorise impact investors. The overarching research question is:

What is the most effective business model of financial institutions that position investments in service to the social economy and the transformation to a not-for profit economy?

This can be broken down into the following sub-questions:

a. *How does the relationship-to-profit of the financial organisation affect whether the organisation achieves the goal of social benefit?*

b. *Where do trade-offs or inefficiencies stand in the way of these organisations to address harmful dynamics of the profit-maximising economy?*

The results are derived from a case study approach with organisations from different European countries due to the embeddedness of the research in the current developments of European public policy programmes supporting the social economy. Furthermore, qualitative coding of company publications such as annual reports, impact reports and financial statements is applied. In addition, answers from a developed survey complement the data sourcing. The main insights are that not-for-profit impact investors decide with almost no exception in favour of the more socially beneficial strategy across all dimensions. The case of the selected microfinance institution was fulfilling the most criteria of a social-economy aligned strategy and thus effective social benefit creation under the condition of also legally fixing its not-for-profit status. For-profit impact investors, on the other hand, also target financially excluded groups, having a social benefit purpose but the way of delivering the financial service maintains a for-profit economy in place by mainly targeting for-profit investees and comes with a risk of concentrating wealth amongst a few private investors instead of the above-mentioned transformation towards a socially inclusive and sustainable economy.

The argument is elaborated as follows. First, the literature is reviewed to differentiate the social ecological economics or strong sustainability perspective from other sustainability viewpoints. Within the strong sustainability perspective, the focus goes to the not-for-profit business structure as a possible solution for achieving a strongly sustainable economy. The relationship-to-profit theory emphasizes the importance of structural aspects of the incorporation of organisations that makes them revolve primarily around either private profit generation or social benefit creation by reinvesting the entire profits into the social benefit cause. The theory is applied to the context of impact investing by developing an analytical framework to explore the influence of an impact investor's relationship-to-profit on their strategy and decision-making. The claims of the theory are tested by looking at four cases. Next, the implications of the validated or rejected hypotheses are summarised and the contribution to the impact investing sector and the relationship-to-profit theory is outlined.

2. Theory

2.1 Previous Research

From an ecological economics perspective, the purpose of the economy is to help people meet their needs within the limits of the planet's biosphere. This infers that the economy should be composed of social economy entities that carry out activities in the interest of society prioritising social and environmental benefit over profit. However, the reality is that the described organisations do not get the funding they need as mentioned in the Social Economy Action Plan. This implies that there are other interpretations of how a sustainable economy should look, which hinders capital from flowing into the social economy. Therefore, the starting point of the literature review is an overview of the diversity of sustainability definitions with different levels of ambition, which explains a part of the problem. As a second driver of the problem, the profit-driven nature of businesses can be identified. Although there exists theory of how the relationship-to-profit of businesses drives harmful dynamics on a systems level, it is unclear how it changes the strategy and thus goal achievement of individual businesses concretely. By providing, a framework which can allow one to analyse whether and how differences in strategy correlate with differences in the relationship-to-profit, a more tangible illustration of the importance of not-for-profit businesses is given. The framework is created specifically for the investment sector since capital is a primary resource needed to support the not-for-profit economy.

2.1.1 Taking a social ecological economics perspective

Economic growth had largely been assumed to be a purely beneficial phenomenon and disconnected from environmental concerns, until a series of environmental catastrophes occurred in the 1960s (Michelsen et al., 2016). This led to the appearance of several reports discussing the impact of the economic system on the environment.

One sustainability standpoint arising from the discussion around the report "Limits to Growth" by Meadows et al. (1972) and several other papers from that time considering

ecological aspects is the standpoint of "weak sustainability" (von Hauff, 2016). This perspective, supported by for instance Joseph Stiglitz or Robert Solow, claims that there is complete substitutability of natural capital by other types of capital such as human-made capital like technology. Stiglitz (1974) argues that the report "Limits to growth" fails to consider three aspects, which are "technical change, the substitution of man-made factors of production (capital) for natural resources and returns to scale" (p.123). Following this logic, the importance lies in maintaining the same level of capital regardless of the type of capital that contributes to the total stock of capital (von Hauff, 2016). This neoclassical perspective still forms part of the dominant discourse today. The conviction exists that under the profit-maximisation paradigm "the projects for environmental and climate protection or for the conservation of nature are obligated [...] to prove they are superior to or provide a greater benefit than other investments over the long term" (von Hauff, 2016, p.102).

Contrasting this definition, the "strong sustainability" approach developed in parallel to the weak sustainability definition as an integral aspect of ecological economics (Michelsen et al., 2016). Scholars in this field alter their focus away from mainly the economic system towards a nested model, which understands economic and social wellbeing as embedded in the capacity of the planet to provide goods and services to sustain life (Spash, 2017). The proponents of strong sustainability argue that there are limits to the substitutability of human-made capital for nature, which implies limits to economic growth (von Hauff, 2016). Having considered the hard limits of decoupling of GDP growth from environmental pressures, the broader strong sustainability perspective rethinks our economic and social model aiming at social and institutional innovations that profoundly transform our current models (Chaminade et al. 2018). Spash (2017) coins the term "social ecological economics" for this sustainability standpoint, which is the term and standpoint taken over in this paper. Continuing this line of thought, there have been more publications on the subject of how to organise a post-growth economy in recent years (von Hauff, 2016). Hinton (2021) uses the term "post-growth" as an umbrella term for literature or initiatives that take a critical approach towards a growth-based economy justified by previously mentioned considerations of strong sustainability including the view of a nested model, limitations of decoupling and the essentiality of natural capital.

2.1.2 The relationship-to-profit theory as a post-growth approach to business

Having talked about the plurality of understandings of sustainability, this section dives into an overlooked aspect within the post-growth literature, namely relationship-to-profit. Hinton (2021) has identified a gap in the post-growth literature, which is the inadequate analysis of businesses and their institutional embedding in the context of post-growth considerations, although businesses are at the heart of the global economy (Hinton, 2021c).

One reason for the gap is the common assumption by post-growth scholars that businesses are generally profit-driven, which is seen as an obstacle to incorporating a strong sustainability approach (Hinton, 2021c). Profit is defined as the accounting profit, which is the financial surplus of the difference between a business's revenues and costs (Hinton, 2021c). The conflict is created because the pursuit of a higher profit through increasing the price, reducing the costs or selling more items is "directly related to social and ecological inputs as well as potentially harmful impacts on people and planet" (Hinton, 2021a, p.4). Examples are the trade-offs between the income for the employees versus the income for the owners or the expenditure on pollution-preventing technology versus keeping a higher profit.

These decisions are influenced by the prioritization of exchange-value in our profit-driven market-based economy. Thus money that can be exchanged for something is more valuable than the use-value of a wild ecosystem or workers' health for instance (Hinton, 2021a). Use-value refers to value from the direct use of something for instance the fresh air from the wild ecosystem or nutrition from food (Pirgmaier, 2021). It is important to emphasize that the generation of profit does not come with social and ecological "side effects" but is directly derived from nature, workers, consumers, other value chain actors, local communities, and society at large (Hinton, 2021a). Whether it is exploitation or not depends on the willingness and ability of people to pay extra for the profit generation and to an extent on the usage of the profit, which can be either for private financial gain or social and ecological benefit (Hinton, 2021a). Hence, only willing contributions and efficiency gains are fair, non-exploitative sources of profit. Regarding nature, human need satisfaction is always going to have an impact. Nevertheless, exploitation begins when the resilience of nature is degraded preventing its regeneration (Hinton, 2021a).

Since exploitative strategies are more profitable than the limited non-exploitative strategies, profit-driven businesses only follow the rationale of the capitalist economy, which makes it hard to alter the impact that businesses have. Hinton and Cornell (2020), therefore, criticise the majority of suggestions by the sustainable business literature that is similar to the triple bottom line approach and only add social and environmental goals to the purpose of profit-making. This will not stop companies from using profitable strategies such as the expansion of production and consumption through for instance advertisement or planned obsolescence. Planned obsolescence refers to products that are designed to become obsolete by seeming to look outdated or breaking (Guiltinan, 2008), for instance, the fair clothing brand will still be trying to sell new collections four times per year. The important change that needs to be done according to Hinton and Cornell (2020) is to position profits

as a means to achieving social and ecological wellbeing. Whereas currently, profit is seen as an end in itself that will bring about human well-being.

The question arises of how businesses with profit as a means can be conceptualised. Hinton (2020) offers a conceptualisation of the relationship-to-profit that brings clarity regarding the differences between for-profit and not-for-profit businesses.

Table 1

Relationship-to-profit	For-profit (FP)	Not-for-profit (NFP)
Purpose	Financial gain for owners and possibly social benefit	Social benefit
Investment	Equity-, debt-, or donation- based with private financial rights	Debt- or donation-based with no private financial rights
Ownership	Private	Collective

The key differences in relationship to profit adapted from (Hinton, 2020a)

As seen in the table, there are three key differences between FP and NFP businesses. Focussing on the description of NFP businesses since these are the new actors, it can be seen from the table that they have a social benefit purpose. The entire profit must be dedicated to the social objective as well, which is legally binding (Glaeser, 2006). The discussion of the purpose of a business is a recent one. However, the early discussion about shareholder value versus stakeholder value picks up the same issue, namely that in situations of trade-offs, for-profit businesses are prioritising the owner's financial concerns since they have a legal responsibility toward them (O'Toole & Vogel, 2011). Thus, changing the legal framework and consequently, the business purpose is an essential way to ensure the usage of profits as a means and not an end.

The second difference is the investment aspect. Tied to the purpose of the business, Hinton (2020a) explains that not-for-profits cannot be financed through private equity since this would mean they could pay an unlimited dividend to enrich the owners instead of using the money for the social purpose (Hinton, 2020a). Therefore, only donation-based or debt-based investments with a limitation or no return on investment are in-line with NFP-businesses. Nevertheless, debt-based investments can also be more, or less favourable for NFPs. Depending on the lender, the loan might be provided on an affordability basis supporting the cause of the business or purely on risk and return considerations (Hayday & Varga, 2020). Consequently, the main aspects of NFP financing are to have a clear limitation on return and an alignment of motivations between investors and NFP.

The last aspect is ownership. In most FP businesses owners who benefit from the business financially also get to control the business and hence decide for their own benefit. NFPs avoid that by not having 'financial rights', which is incorporated by the non-distribution constraint. Hence, the rights of managers of NFPs are confined to control rights. Independently of the control rights, the non-distribution constraint generally hinders owners to take money and assets out of the business (Hinton, 2020a). Hinton (2020a) conceptualises this form as collective ownership using Stein's (1976) definition expressing that all rights are vested in an undivided collective entity.

In the next step, Hinton (2020a) investigates the systemic changes that might occur with a change in relationship-to-profit on the level of entire markets. The author describes that the status-quo of profit-seeking generates five patterns. First, profit-seeking requires and drives increasing levels of production and consumption in order to deliver growing returns on investment to private owners. Second, this economic expansion endangers the planet's biosphere. Third, since owners accumulate returns and wages are suppressed in order to cut business costs, inequality is created. Fourth, the wealth accumulation aim encourages aggressive growth strategies to reduce competition, which leads to market concentration in the long run. Lastly, policy making is influenced by private owners in a direction which allows to maintain or increase their wealth inhibiting regulations and taxes that might otherwise reduce inequality and ecological damage.

The change from a purely profit-driven market to a hybrid approach of profit and purpose would at most slow down the reinforcement of the macroscale vicious cycles of economic growth namely consumerism, inequality, and political capture, as well as the associated environmental damage prevalent in a profit-driven world. Nonetheless, this approach cannot overcome the trade-offs between financial gain and social benefit. In contrast, a not-for-profit economy can according to the author considerably cut down on inequality and political capture, leading to a business, policy and investment orientation towards social and environmental benefit. Lastly, it would not systematically drive consumerism, because it would not "have the same built-in pressure to sell more items" (Hinton, 2020a, p. 254)

2.1.3 The effect of the relationship-to-profit on investment strategy

Although there are clear advantages of the systemic change to a not-for-profit economy, the wishful thinking of achieving a dual purpose by putting enough efforts into social benefit without compromising profit for private owners keeps the prevalent approach to sustainable business in place (Hinton & Cornell, 2020). This is also visible in the investment sector,

where "the idea that financial actors can target sustainability and achieve competitive financial returns is gaining ground [...]"(Svendsen, 2022, p.39).

Sustainable investing is very broadly defined in terms of investment strategies. In a sense, this reflects the wide range of sustainability definitions that were illustrated earlier. Thus, sustainable investing is used as an umbrella term for investments considering environmental, social and governance (ESG) criteria (European Commission, 2022). To outline the wide range of sustainable investing, the ESG criteria can have only the function of pricing-in non-financial risks on one side of the spectrum (Henisz, Koller & Nuttall, 2019). On the other side of the spectrum, social and environmental impact can be at the core of the investment strategy rather than a side effect (Höchstädter & Scheck, 2015). This area is referred to as impact investing.

This paper focuses on the latter since the idea is to find out what difference in social impact is created by a diverging relationship-to-profit of two otherwise like-minded investors, whose investment focus revolves around the creation of impact. Mission primacy can be understood as having the primary goal of delivering social and environmental good (Chua et al., 2011). It is, however, by no means a standard for impact investing.

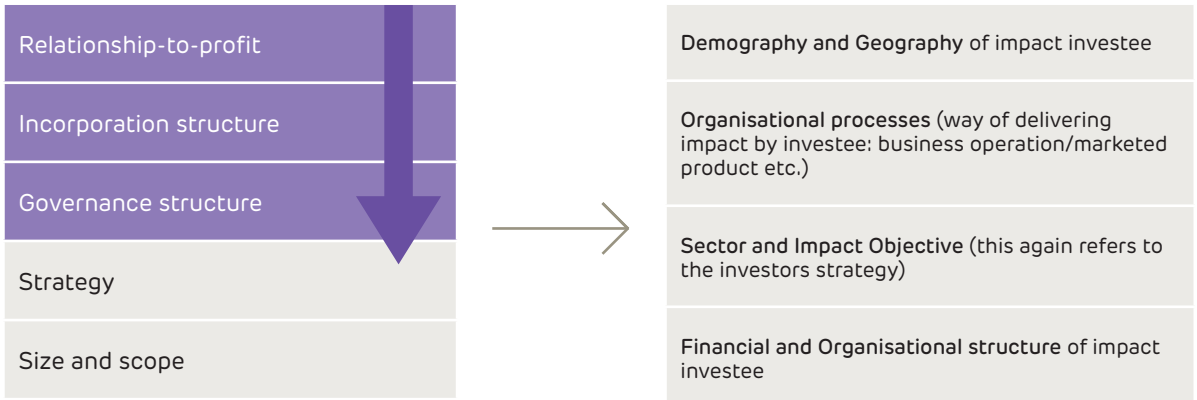
This stretches out the strategy options that impact investors have got. Höchstädter and Scheck (2015) offer an analysis of the strategic options that impact investors have across five dimensions. The dimensions used by the authors *are demography and geography, organisational processes, sector and impact objective, financial and organisational structure, and asset classes and financial instruments*. Before explaining what choices each category offers, it can be remarked that it was not considered that the relationship-to-profit is impacting these strategy dimensions. Following the logic of, Hinton (2021b) "the legally-binding structural dimensions of the firm are critical for shaping economic actors' behaviour" (p. 3). Since the relationship-to-profit is such a legally-binding aspect of a firm, its impact should be considered and integrated into an evaluation of impact investors' strategy.

2.2 Analytical Framework

The point of departure for my analytical framework is the integration of the legally-binding structural aspects of businesses and the strategy considerations of impact investors with the aim of showcasing the dynamics between them.

Making use of the five dimensions framework by Hinton (2021b), which orders the different business dimensions according to their permanence and influence on other dimensions, I will investigate how exactly the legally-binding and structural dimensions influence the strategy across the five strategic dimensions of impact investing offered by Höchstädter and Scheck (2015). Here, the impact *investor* itself is a business that is influenced by its structural dimension, whilst the structural dimensions of the *investee* organisation also have an impact. The size and scope dimension of Hinton's (2021b) framework was not paid attention to because it is an outcome of the strategy dimension and is influenced by the structural aspects of a business through strategy (Hinton, 2021b). Consequently, the understanding of the strategy dimension was seen as paramount. The result can be seen in the illustration below.

Figure 1 Strategic consequences of relationship-to-profit



Adapted from Hinton (2021b)

Adapted from Höchstädter & Scheck (2015)

First, an explanation is needed of each of the relevant business dimensions: relationship-to-profit, incorporation structure and governance structure and how they impact the strategy dimension. In a second step, the impact investing strategy options are analysed, and it is categorised which actions within each dimension are more likely to be in line with either a for-profit or not-for-profit orientation.

The relationship-to-profit "guides and constrains the dimensions of incorporation structure, governance, and strategy" (Hinton, 2021b, p.13). Consequently, the decision of using profits as a means or an end is built into the fabric of businesses' legal structure. It is part of the legal NFP distinction in all regions of the world, that no profit is privatised and that the business revolves around a core social benefit purpose (ICNL-The International Center for Not-for-Profit Law, 2022). Yet, the types of NFP incorporation structures vary by place (Hinton, 2021c). Cooperatives, community interest companies, government-owned corporations, associations, foundations social businesses and social enterprises, all can operate as NFP businesses (Hinton & Maclurcan, 2017). It is important to be careful especially with some incorporation structures such as cooperatives and all kinds of social enterprises since they can be for-profit or not-for-profit. There is also the option of organisations being for-profit but creating constraints on profit-distribution themselves or setting a social benefit purpose. However, institutional economists emphasize that legally-binding social rules come with a higher degree of obligation and will in any situation be more influential on a company's behaviour and hence strategy (for instance Powell & DiMaggio, 1991). The governance dimension refers to how decisions should be made in the organisation and is informed by the incorporation structure. The incorporation structure of cooperatives for instance requires democratic decision making and has a board involved in major decisions (Coompanion, 2022). Decision-making and the splitting up of responsibilities bridges over to strategy. Overall, the actors' motivation (business purpose inherent in legal framework) and practice (governance structure) serve as direction for their action and is core to understanding the strategy making (Whittington, 2006; Svendsen, 2022). Both these aspects are impacted by the organisation's relationship-to-profit, which is why the effect of relationship-to-profit on strategy decisions is at the core of interest.

The analysis of impact investor's strategy by Höchstädter and Scheck (2015) had the following results across the five different strategic dimensions: Looking at the first dimension **demography and geography**, impact investing is not targeting a specific group of the population. Hence, the investment can be beneficial for the broader population by supporting, for instance, an environmentally beneficial project or more specifically a marginalised and vulnerable group of the population. Also, in terms of geographies there is no strategic scope, but a wide span serving beneficiaries across the developed or developing world. From the framework, arises the question of whether these aspects are influenced by the relationship-to-profit of the investor. Gregory (2016) points out that impact investing entails elevated risks due to unproven business models, which are necessary to reach the poor and disadvantaged that were not well served by current business models. Consequently, this is a risk associated with the demography of the target group. Apart from that, the author mentions unstable markets and natural disasters as risks of reaching people from the poorest socio-economic group located in more critical locations, which is a geographical risk. Since the performance of an investment is usually evaluated by taking into account risk and return, which stand in a positive relationship to each other, meaning that higher risk requires higher return, the relationship-to-profit can have an impact here. For-profit investors are either less likely to invest into projects that use alternative methods to solve social problems or into projects that are situated in difficult conditions, or they will likely expect a higher financial return. Asking for a higher financial return or strategically excluding cases of especially critical geographies or groups of the population does not seem to follow the social impact purpose that impact investors are committed to. That is the result of competing social and commercial logics (Agrawal & Hockerts, 2019). It is also the result of the focus on exchange-value as a form of return on investment, whilst the higher social return is not seen as an equal value to balance out higher risks. To illustrate this with an example, Swedish work integration social enterprises (WISE) can be named, which offer an innovative approach to reintegrating long-term excluded people into society and the labour market. Since these organisations are facing high political risk being dependent on political support and decision-making in each legislation, only a few investors invest in WISE, although it is a socially beneficial and financially viable investment.

Moving on to the next dimension, which is **organisational processes**, Höchstädter and Scheck (2015) did not find any limitation on how the organisations that impact investors invest in should deliver value. The authors describe that two practitioner texts mention explicitly that value creation can happen through the manner of marketed products or services as well as business operations. The relationship-to-profit also does not take a stand in terms of preferred organisational process, which makes sense since human needs fulfilment entailing products and services of various types is in the interest of post-growth theory (Hinton, 2021c). Nevertheless, the impact investor's portfolio could be scanned by looking out for products with an increased environmental impact through a tendency to planned obsolescence as the above-mentioned example of "fair" fashion illustrates.

The next dimension intends to specify the strategy options of impact investors in terms of **sectors and impact objectives.** The dominant notion is that the impact investor's strategy is not limited to certain sectors or objectives. Even so, there are some sectors and objectives that are more prevalent

(Höchstädter & Scheck, 2015). Despite this, there is a way of differentiating the strategic involvement in a sector or objective, which is according to Rubin's (2009) *additive* and *corrective* objectives. According to the author, there are *additive* developmental venture capital funds that use their fund to support companies that produce or sell socially beneficial products and support their investees in employing progressive employee and environmental practices (Rubin, 2009). This should apply to all impact investments and categorise them as additive. The second categorisation is called *corrective* development venture capital, which has the objective to provide capital to demographics or geographies that are inadequately served by traditional investors (Rubin, 2009). This is the problem mentioned under the category "demography and geography" of investees. It is picked up again now since it can specifically be an impact objective of impact investors to fill the market gap that the traditional capital market leaves. Furthermore, the market gap can also exist not only associated with higher risks with specific demographics or geographies, but also the stage of development of a business or a structural aspect of the business. By way of example, Gregory (2016) recommends as one of his five ways to de-risk impact investment to focus on growth-stage enterprises and Ojong (2015) clearly confirms that by pointing out that social enterprises often use grants at the start-up stage. In addition, the author states that social economy organisations experience several barriers to accessing finance due to differences in governance structure or because they do not pursue a profit-maximising purpose. Relating these findings to an investor's relationship-to-profit, it can be assumed that the only investors that would be willing to target these higher-risk groups are those who value the social benefit associated with these investments and are not exclusively profit-oriented. Not-for-profit impact investors therefore could have a stronger corrective objective.

The structural aspect is picked up by the next dimension, which addresses the **financial and organisational structure** of the recipient of impact investment (Höchstädter & Scheck, 2015). According to the authors, this issue was the one with the least conceptual clarity. Hence, it reflects the observation by Hinton (2021c) that the aspects around the relationship-to-profit are often confused. It also confirms the need for this analytical framework which is partially motivated by the fact that the social economy with its NFP businesses is not receiving the capital it needs. The question that is unanswered is whether the impact investee is required to be a social economy organisation (Ojong, 2015), that exists primarily to create social rather than economic value. Höchstädter and Scheck (2015) find opinions that define impact investing without referring to the impact investees' structural characteristics. "The intent or capacity for social impact seems to be a sufficient criterion for many" (Höchstädter & Scheck, 2015, p.461). Just a few others demand the primacy of the investee's mission according to the authors. In which way does the relationship-to-profit of the investors affect the requirement of the investee to have a certain organisational or financial structure? Firstly, Ojong (2015) calls it a mismatch when the investor strives for profit as an end whilst the investee strives for profit as a means. This indicates that investors with a for-profit structure are less likely to invest in NFP businesses. In another statement, Ojong (2015) states that co-operative banks offer debt products that are tailored to the needs of social economy enterprises. From this statement, it can be interpreted that NFP structured investors serve NFP structured businesses better. The confirmation for this can be found in an EU publication by Maduro, Pasi and Misuraca (2018). They clarify by noting that "[f]inancial intermediaries that operate in the social impact investment ecosystem differ in legal statutes, size, governance structure and mission" (p.32). All in all, when thinking of the impact of the relationship-to-profit, it makes sense to assume that investors that prioritise the social purpose would also invest in organisations that do the same.

The last dimension treats the question of how money is invested in impact, namely **asset classes and financial instruments**. Generally, there are many opinions that see no limitation to asset classes (Höchstädter & Scheck, 2015). This then involves traditional and innovative instruments such as debt, equity, guarantees, deposits and social impact bonds. Bringing the conceptual framework in, the relationship-to-profit has a clear requirement of the type of asset classes that can be used. Only debt-based or donation-based investments with limited financial returns are in line with not-for-profit businesses. This affects the strategy on two levels. First, it influences the instruments that the impact investor is using to invest in the receiver organisation. A profit-driven investor might prefer to use equity instruments since this is the financial instrument that gives private financial rights, which translates to unrestricted return. It is connected to the previous aspect of the organisational and financial structure of the impact investee as well. If the impact investee is a NFP business, only the debt-/donation-based investment tools are possible to use, which might be less attractive for profit-driven investors. Second, it restricts how the impact investor itself is financed. When being not-for-profit, the impact investor can only be financed by debt or donation ensuring that no private financial gain interest is pursued, which then also influences the asset classes that the NFP investor is using in its own investment strategy. That is the default of the not-for-profit theory. However, Hinton (2021b) mentions that there might be a variety of approaches to business that fits a post-growth economy. For instance, Ojong (2015), who studied diverse financing cases of social economy organisations lists one case that uses quasi-equity as well. Quasi-equity instruments, such as subordinated loans, are financial instruments that share characteristics of debt and equity and is often used by social enterprises, which are legally not allowed to issue share capital but want to avoid high indebtedness (Hayday & Varga, 2020). Therefore, the impact of the relationship-to-profit,

legal form and governance structure in this category can be pinned down to clear limitations to profit distribution and no private financial rights that impact the business purpose.

This chapter has revealed that there is a variety of sustainability understandings which prevent the united achievement of a strongly sustainable economy. Moreover, it uncovered the importance of the relationship-to-profit, which is often missed as a key aspect of sustainable business practice. Both, the diversity of sustainability understandings and the ignorance of the structural aspects of businesses can be found in the impact investment sector, although this is an important sector for ensuring the capital flow into a NFP economy. The analytical framework at the end creates a connection between the relationship-to-profit and the strategy of impact investors in order to showcase the effect of the relationship-to-profit on the impact investor's social benefit. Following the ideas of the analytical framework, NFP impact investors are more likely to have a corrective objective, which means that they provide capital where the traditional financial market leaves a gap. The gap can exist due to the lack of a track record of an innovative business model targeting a marginalised group, due to an insecure geographic location or due to the development stage of the business. In addition, NFP investors are more likely to support NFP businesses than FP investors, to distribute no profit to private owners and to finance their projects with restricted return and mission primacy usually through debt-based financial instruments. These insights form the theoretical basis and analytical framework for this thesis.

3. Methods

3.1 Case study approach and case selection

When applying a new perspective (such as the relationship-to-profit theory) because the current perspective (in this case the perspective of profit-seeking as an end) seems to be outdated, Eisenhardt (1989) suggests a case approach. To this end, four research subjects were selected. The number of cases was influenced by the prioritisation of depth over breadth of the analysis. Accordingly, the focus is on fewer cases but using different data sources. In this case, survey data was added to company reports and website data.

Starting with the selection of relevant research subjects, generic purposive sampling (Bryman, 2016) was used to select a number of impact investors to look at. The criteria that make the selection purposive are informed by the research question. Since the research questions aim at identifying the most effective business models of investors to achieve social benefit in line with the not-for-profit economy, organisational investors are of interest. Furthermore, the organisational investor's strategy should revolve around social benefit, making them an impact investor. Finally, differences in the investor's relationship-to-profit help with identifying the impact of the relationship-to-profit on the achievement of social benefit. Hence, for some of the criteria, diversity was needed which is why different organisational approaches to impact investing and organisations with differences in relationship-to-profit were selected. For other criteria, it was very important that all investors were aligned. This is the case for the social benefit focus of the investor strategy.

The four selected cases are presented below. The companies were made anonymous since this study evaluates the effectiveness of their social benefit strategy, which affects them as players in the market when, for instance, competing for public support or investors.

The first selected case is Company A, which is a Swedish national umbrella fund for a consortium of eight regional funds dedicated to providing microfinance services. The organisation is an economic association that has committed to following the seven principles of being a cooperative. The organisation clearly indicates in the financial statement that the entire profit is reinvested, which is what they have done since its foundation in 2010. Due to this not-for-profit aligned behaviour, the case was categorised as a not-for-profit case. However, it became clear that the non-distribution constraint is not fixed in their statutes, which the organisation became aware of only recently. According to the relationship-to-profit theory, this would categorise this case immediately as a FP case since the theory is based on the legally-binding structural aspects of the relationship-to-profit. Nevertheless, Company A has stated to adjust its statutes and otherwise completely behaves like a NFP, which is why the case was still considered a not-for-profit case with reservations.

The next case is Company B which is a joint venture of a Group Bank AG (the anonymised name for the umbrella organisation) and the bank's foundation being active in Central and Eastern Europe. The organisation is a social enterprise that according to its webpage has stipulated in its Articles of Association, that it does not distribute dividends but reinvests all generated profits into new social projects (Company B, 2022). Nevertheless, the organisation is owned 60% by a Gmbh, which is a for-profit organisation. Following the indication of the relationship-to-profit theory, a for-profit organisation cannot legally own a not-for-profit organisation

(Hinton, 2020a). Apart from that, the communication with the organisation weakened the webpage statement by explaining that the organisation has a non-legally binding distribution cap in order to fulfil the EU definition of a social enterprise. Consequently, this case is categorised as a for-profit social enterprise case.

The next case is Company C, a for-profit social venture capital investor that was partially founded and is 60% owned by a not-for-profit. However, the rest is owned by the other private founders. Their aim is to close the gap between early-stage social enterprises and investors offering special hybrid financing models in service to support the social innovators and their social benefit businesses. Located in Germany, the organisation has a pan-European approach that has supported organisations from seven European countries.

The last case is Company D, which is a cooperative bank operating in Italy and Spain. With the savings that the bank raises, it supports mainly projects, companies and organizations that produce social and environmental value in the areas of cooperation, innovation, culture and civic society and environment (Company D, 2022). This means in their evaluation of investment opportunities they add a socio-environmental assessment of loan applicants aside from the traditional economic investigation (Company D, 2022). Although cooperative cases are difficult to evaluate, Company D was labelled a not-for-profit having a clear social benefit purpose of bringing "transparency, participation, sobriety, efficiency and attention to the non-economic consequences of economic actions" (Company D, 2022) to the banking sector and not distributing dividends to shareholders.

The data collection is informed by the developed analytical framework in order to collect relevant data (Bryman, 2016). Therefore, a number of indicators were developed based on the framework before the data collection process.

Table 2 *Indicators derived from the analytical framework*

Name of the business:	FP		NFP
Relationship-to-Profit:			
Profit-as-an-end vs. profit-as-a-means			
Corrective objective: Exclusion reason of recipient	Demography/Innovative business model	Geography	Dev. Stage
In terms of interest rate	Below market rate	At market	Above market rate
% of portfolio in NFPs/ profit reinvesting businesses			
% of profits to private owners			
Ratio of limited return vs. unlimited return instruments			

Considering the indicators, a relevant source that was identified is published documents by impact investors including annual reports, financial statements, impact reports and portfolio descriptions. Nevertheless, a survey was created to ensure the reliability of the findings and to get direct statements from employees working in the selected case organisations.

To name a limitation that is non-methodological, the study looks at snapshots of companies whereas the relationship-to-profit theory emphasises the dynamics of a for-profit or not-for-profit economic system over time. This is why there is a natural limitation to the contribution of the chosen method to the longitudinal nature of the theory as a whole, which is kept in mind throughout the research process. Nevertheless, the analysis of the structural aspects of businesses has a contribution potential since these are the most permanent and influential dimensions of businesses (Hinton, 2021b). Hence, these dimensions are also relevant over time. Furthermore, considerations of how the market dynamics influence the cases and the cases might influence the market dynamics were included.

3.2 Data analysis

For the data analysis, the relationship-to-profit theory helped predict the possible influence of the relationship-to-profit on strategy decisions across five dimensions. These predictions can be summarised in the following way:

- It is more probable that NFPs see profit as a means to achieve a social goal instead of as an end in itself whereas FP can likely see profit as an end.
- Not-for-profit investors are more likely to have a corrective objective, which provides capital to projects with a target group that is excluded from the traditional capital market due to higher risk and/or lower financial return profile whilst being strongly socially beneficial.
- Not-for-profits are also more likely to finance not-for-profit organisations than for-profit investors.
- They most likely do this through instruments that are limited in their return and do not entail financial rights (i.e., shares or equity).
- Finally, a higher percentage of NFP's profit is probably used for social benefit compared to the percentage of profit used for social benefit by for-profit investors.

Since the categories are clear, coding can start immediately by filling in the table of indicators for each case with supporting information as a reference. Company reports, as well as the survey, are used to fill in the indicators in the table. This leads then to the step of validation or rejection of the predictions to some extent.

4. Results

4.1.1 The case of Company A and results summary

Only for the case of the microfinance organisation the table of indicators will be explained in detail to see how the microfinance organisation behaves across the five strategic dimensions of the analytical framework. Then, a summary is offered to compare all four cases concisely.

Company A was conditionally categorized as a not-for-profit although it is not legally fixed. Using the supporting indicator of whether profit is seen as a means or an end, the categorisation could be confirmed. In an informational brochure for investors, the organisation states:

"Most investors in Company A have chosen not to take interest on loans. Instead, they look at returns in the form of societal benefits. Some have agreed on a low interest rate. Together, investors' capital creates one recirculating fund where the same money can help many social companies - associations and cooperatives - for many years. An excellent deal for the whole society."(Company A, 2020)

The paragraph clearly illustrates that profit is not seen as an end in itself. The financial return on investment is even neglected by some investors of Company A and replaced by social benefit as the only return on investment. This is very much in line with the not-for-profit economy and remodels the understanding of return on investment.

Regarding the next indicator of having a corrective objective, Company A steps in where the market leaves a gap since the organisation offers a credit guarantee with a fixed interest rate below the market rate of 3,5%, which is the same rate for all the cases they support. However, the recipient must pass the due diligence process, which screens risk to some extent and hence, not all applicants are admitted. Yet, the recipient is also within a target group that is easily excluded from traditional capital providers' target group for several reasons. Company A invests in early-stage social enterprises, in businesses with innovative business models such as work-integration social enterprises with associated political risk and in specific organisational forms such as cooperatives, foundations, social enterprises or associations. According to Gregory (2016), these can all be exclusion criteria for traditional investors. In addition, Company A supports microcredits with their guarantee product, which are often excluded from the traditional capital market due to high administrative costs for small scale lending (OECD & European Commission, 2021). Hence, the guarantee can for instance also secure leasing agreements for smaller assets. All in all, the corrective objective is given, which overall leads to a higher social benefit targeting the most excluded or risky groups.

According to the survey answer of Company A, 90% of their investments go to NFPs. Their portfolio is not publicly available. Even so, the survey also reveals that the investments that do not support NFPs go to cooperatives that distribute equally between the co-owners. This 10% is consequently not aligned with the not-for-profit economy in its purest form. Interestingly, Company A has remarked an obstacle due to the not-for-profit nature of their investees. According to Company A, it is very hard to use quasi-equity products that are often paid from the profit for these organisations that have "tough restrictions" against paying

from profits (Company A, 2022). Here the other extreme of profit misperception comes through, which is when social organisations see profit in itself as something to avoid instead of as a means to their social benefit purpose. However, Company A should be in the position to offer alternative investment schemes that avoid the payment from profit.

Moving on to the next indicator, zero percent of Company A's profit was distributed in the current year 2021 nor in the past years. This means that 100% of their profit flows into their social benefit mission. That is also reflected in the financial instruments the organisation is using. All financial instruments are limited in their return. In 95% of the cases, Company A uses its guarantee instrument, which is a special debt-based instrument which is "not amortized but [is] ended in lump when the guaranteed object (loan, car, business premises, grant contract, etc) is completed/ finished" (Company A, 2022). In the rest of the cases, subordinated shares or investing member capital is used, which is seen as equity but for which Company A gets a limited return and limited or no decision-making power. Apart from small deviations due to the different establishments of cooperatives, this NFP case supports the hypotheses derived from the theory which predicted that NFPs see profit as a means, have a corrective objective, mostly invest in NFPs, do not distribute profit and use limited return instruments. However, a comparison to the other cases is needed to be able to extract meaning.

Summarising the results from all company cases and answering sub-question one and two, the strategy predictions based on the relationship-to-profit theory overlapped to a bigger extent with the not-for-profit entities. In the case of Company A, the predictions of NFP behaviour across all indicators were fulfilled. Company D deviated from the prediction that NFPs are more likely to invest in NFPs, since the ethical bank also funds FPs to a large extent. Nevertheless, Company D still funds more NFPs, when taking the number from the impact report, than the two FP cases. The second point that can be named is that Company D does not exclusively support projects that are excluded from the traditional banking sector. Yet, this is because the bank wants to provide conventional banking services to as many people as possible, to then use the savings for investments into the real economy under strong social and environmental criteria instead of speculations (Company D, 2021). This means it is in the nature of the business model to be an alternative to traditional banking and not only correct the gaps that the traditional capital market leaves. Overall, these cases indicate that the not-for-profit organisational form influences the strategy towards the higher social benefit choices that are aligned with the not-for-profit economy, which is a way of interrupting the negative dynamics fostering the exploitation of people and planet.

Moving on to the two for profit cases, the categorical predictions for FP cases were that these organisations are more likely to see profit as an end in itself, have no or less of a corrective objective, tend to finance more FP cases, distribute profits to private owners and use unlimited return instruments. When looking at Company B, most of these boxes were ticked, with the exception of having a target group that is excluded and using limited return instruments. In regard to the first point, it is intended to have a corrective objective. However, due to the way of delivering the financial service, specifically the high interest rate, the corrective objective is less pronounced. Company A, for instance, does also provide subordinated loans or quasi-equity in specific cases and still asks for an interest that is below the market rate and not at market rate or even above. The second point is the use of limited return instruments, which is also in line with the not-for-profit type of strategy. However, as mentioned before that is due to having a banking license and the responsibilities that come with it. Unfortunately, no clear statement about profit distribution can be given, but due to the survey comment mentioning shareholders it is assumed that not all of the profit is reliably reinvested.

A bigger deviation from the for-profit strategy was seen in the case of Company C. This organisation was aligned with the not-for-profit strategy in the way it treats profit, namely as a means. Apart from that, the organisation showed a consistent corrective effect both in terms of target group and interest rate. This finding is interesting since it entails that the for-profit organisations can still decide to strategically follow not-for-profit rationales, although being for-profit entities. Nevertheless, Company C followed the FP strategy predictions by investing to a much larger extent into FP businesses and by using mostly equity instruments. The concrete profit distribution could again not be retraced since for-profit organisations are not transparent about this subject, although they have a social benefit purpose.

Consequently, through the strategy of a FP impact investor, the for-profit economy is maintained by investing predominantly in FP businesses and there is the risk that through equity instruments capital is taken out of the circulation that would have been used for further social benefit and may contribute to inequality by enriching private investors. This was seen through the distant influence of Group Bank AG shareholders on Company B and an unclear statement about Company C's projects, saying Company C's hybrid financing models keep the investor's return from revenue or profit participation capped and low at the beginning so that the enterprise can develop, but afterwards the investors "are entitled to catch up their claims" (Company C, 2022). This formulation is opaque and does not indicate how much the investors can claim.

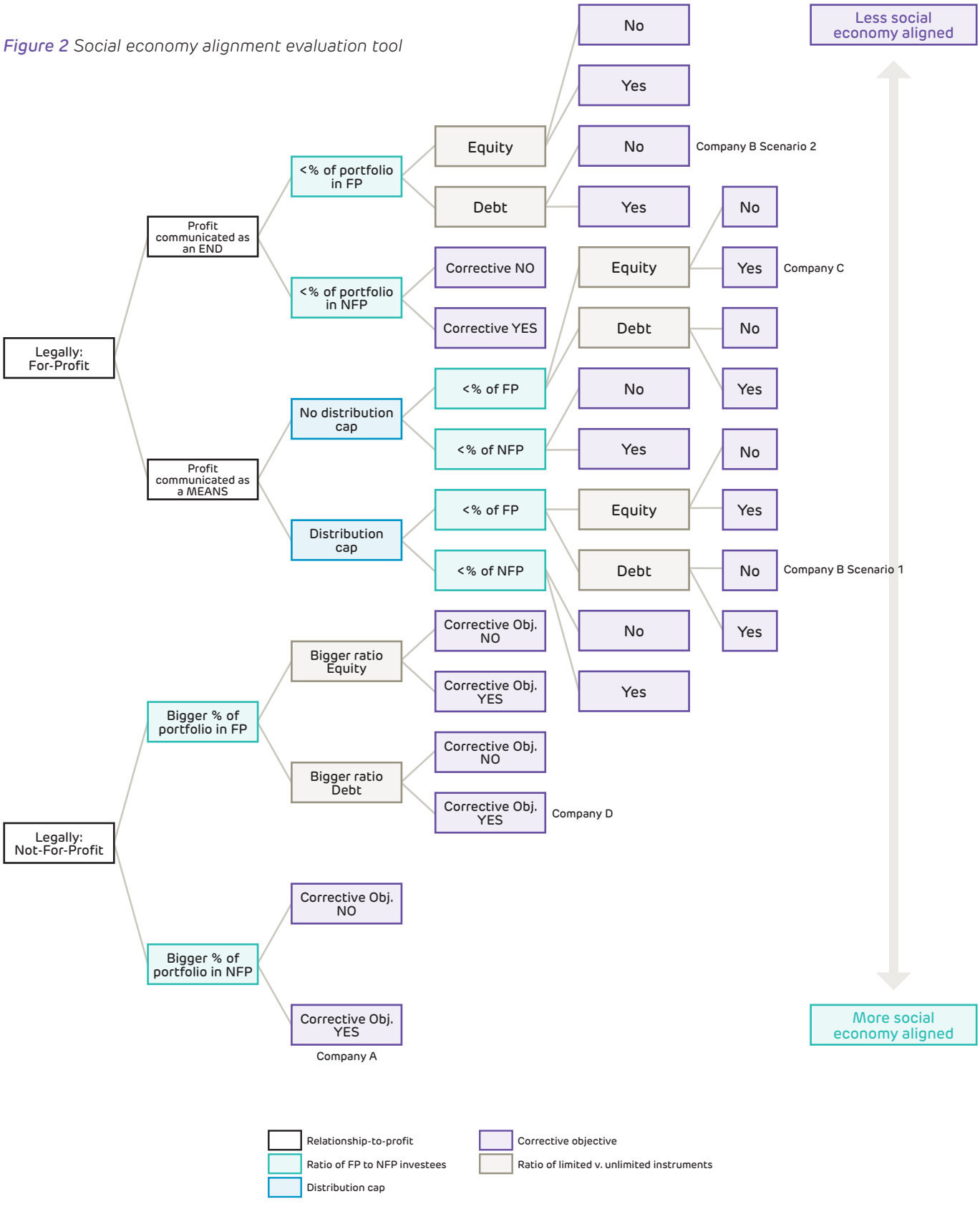
4.1.2 Degree of the effectiveness of the diverse impact investing strategies

In order to answer the overarching research question about the classification of the most effective and least effective impact investors in terms of social benefit creation and

alignment with the social economy, a tool is presented that takes all the developed indicators into consideration. Depending on the answer in each of the metrics, the tool shows the degree of alignment.

The outcome can be seen below in Figure 1 and can be interpreted by having the most aligned organisations further down and the least aligned investors further up in the issue tree.

Figure 2 Social economy alignment evaluation tool



The reason for putting Company B in twice is to account for the case in which the organisation does have a distribution cap, which could not be checked. It was also done to illustrate how the positioning would change based on this change.

This tool helps to evaluate impact investors from a not-for-profit perspective, which helps to be rigorously sticking to a social ecological economics perspective.

Table 3 *Results summary*

What is the most effective business model of financial institutions that position investments in service to the social economy and the transformation to a not-for-profit economy?	The most effective business model of impact investors is the one that decides for the socially more beneficial strategy option across all strategic dimensions and across the indicators of: • Legally for-profit or not-for-profit • The business objective of profit-as an end or a means • Corrective target not given or given • Corrective interest rate above/at or below market rate • Investment focus on FP or NFP investees • Profit distribution or distribution constraint • Usage of unlimited or limited return instruments The socially more beneficial option from the social ecological economics perspective is the latter option of each of the listed indicators and is represented graphically in Figure 2.
How does the relationship-to-profit of the financial organisation affect whether it achieves the goal of social benefit?	The not-for-profit organisational structure influences the strategic decision-making towards the more aligned strategy with the NFP economy and thus, the socially more beneficial decision, consistently across more strategic dimensions The for-profit structure allows for alignment with the NFP economy across some strategic dimensions, but inconsistently implements the socially more beneficial strategy due to risk-return considerations, the orientation towards for-profit investees, untransparent usage of profits and usage of equity instruments.
Where do trade-offs or inefficiencies stand in the way of these organisations to address harmful dynamics of the profit-maximising economy?	For-profit investors experience a trade-off between their corrective objective and their attachment to the for-profit manner of delivering financial services, which especially keeps the inequality dynamic in place.

4.2 Discussion

The results showed that NFP impact investors choose in all strategic dimensions with almost no exception for the higher social benefit option in alignment with the NFP economy. This validates the developed analytical framework and predictions made based on the relationship-to-profit theory. Otherwise, FP impact investors did not entirely follow the categorical predictions of a for-profit strategy. The cases demonstrated that FP investors can also communicate profit as a means instead of as an end and contribute to the financial inclusion of excluded groups. However, with the investments of FP investors, the for-profit economy is kept in place due to the targeting of for-profit organisations. Furthermore, there is no assurance that profits are not contributing to the wealth accumulation of individuals instead of being used for more social benefit. These findings go hand in hand with the remark in the not-for-profit theory which states that "*such companies want to invest enough in social benefit to pursue a dual purpose, but not enough to negatively impact their profits*" (Hinton, 2020a, p.253). This clearly speaks to the need for categorisation of impact investors according to their relationship-to-profit. Additionally, the categorisation seems necessary since within the impact investment sector there exists confusion about where the profits of the economy are flowing.

> Regardless of the theoretical starting point of this research, the awareness of how the surplus of the economy is utilised seems important, so that society gets the option of deciding about it.

It can be counterargued that under the current market rationale where most of the organisations are unaware of the effect of the relationship to profit, it is more important to look at why the organisation makes profits and how the organisation treats profits instead of pinpointing the structural aspect behind of it. The emphasis of the relationship-to-profit theory is actually on why, how, and for whom profit is generated and used (Hinton, 2021c). Yet, for-profit organisations showed to be untransparent about their profit distribution, which makes an evaluation of the "for whom" impossible. Only NFPs were transparent about their profit usage. Moreover, for a quick and consequent achievement of a strong sustainable economy, it should not be relied on "*voluntary objectives of enlightened owners and managers*" (Hinton, 2021b, p.18), when a legally-binding approach is more influential on economic actors. Therefore, it is necessary to consider the structural aspects of businesses.

This finding is reinforced by the next aspect. It is noteworthy that the selected organisations that all had corrective objectives of filling in the gap left by the traditional capital market, had an NFP element in their organisational structure. Even the two for-profit cases showed an NFP connection. One case committed to being a social enterprise according to the European definition and was owned 40% by a foundation and the other one was owned 60% by an NFP. This supports the logic of the relationship-to-profit theory, which advocates for a change in the structural aspects of businesses through which social and environmental benefit can be moved to the core of the business.

Another point to discuss is the economic stability of the organisations that were looked at. All mentioned organisations have received public support in some way. Either through European counter guarantees provided by the European Investment Fund, by public risk capital or through other ways. This demonstrates that under the current market conditions, it is difficult to have a corrective objective and still be economically viable. Company A, for instance, calls it a "premise built into what we do" that the organisation is not able to raise much private capital due to the very low to no financial return. Instead, the responsibility lies with the public sector to acknowledge the social value added of Company A being the most socially beneficial of the four cases and to support it. Currently, the organisation has the least number of employees of the four cases but keeps operating due to an ecosystem of supporting organisations. Nevertheless, this should not be seen as a weakness since the situation could change immediately if Company A operated in a predominantly not-for-profit market. The relationship-to-profit theory acknowledges this by stating that "*[a]ll firms operate in a larger economic and societal context, and experience various sources of pressure, resistance, encouragement, and constraint from contextual factors. This means there are important differences when contrasting how for-profit businesses might act in a predominately for-profit market; how not-for-profit companies might act in a for-profit market; and how not-for-profit businesses might act in a predominately not-for-profit market*" (Hinton, 2021b, p.18).

Consequently, the analysed cases can become more financially self-sufficient in the process of a transition, in which the NFP economy receives more attention and the context of the market changes. With the visibility and public funding, private funding can be crowded in, which is also part of the social economy action plan. When evaluating the effectiveness of an impact investor's business model as stated in the research question, the effectiveness was evaluated in terms of social benefit rather than economic viability, since the economic viability depends on the context of the market whether it is for-profit or transitioning towards not-for-profit.

The research showed that the transformation to a not-for-profit economy is a complicated process, in which the cooperative bank took a step back and started supporting FP organisations, in which the instruments to support early-stage social enterprises can become complex arrangements and in which none of the cases fully fit the NFP description.

Nevertheless, all the cases contribute to a more sustainable economy and society by moving beyond the rationale of treating profit as the only goal. Furthermore, the relationship-to-profit theory offers guidance in the complicated process. It showcases the origins of problems of the current system and provides normative suggestions for the transformation to a strongly sustainable economy.

5. Conclusion

The findings imply the need for an increased focus on aspects of the relationship-to-profit of investors because it clearly makes a difference in terms of total social benefit achieved. The developed indicators help in evaluating impact investors from a social ecological economics perspective and give a clear frame of what impact should entail when dedicated to a true sustainability transformation. This makes it one of the few specifications of "impact" in the impact investing sector.

The contribution to the theory is a very tangible illustration of the effect of an organisation's relationship-to-profit on concrete decisions in a specific sector, namely the finance sector. This way the relationship-to-profit theory was downscaled from a systems-level to the organisational level following the paper on the five key dimensions of post-growth businesses. Conversely, this makes it perhaps easier for current financial organisations to understand how their decisions influence systems dynamics. Accordingly, it could initiate systems thinking of organisations by including the relationship-to-profit aspects into their considerations.

The goal of this and further research following the outlined direction is to provide support for the perspective that economic thinking should be redesigned around human needs and planetary boundaries. In this process, the social ecological economics perspective suggests using profit only as a tool to achieve a strongly sustainable economy which is needed. It is inefficient to place capital in favour of social benefit whilst at the same time supporting harmful dynamics on the systems level. Consequently, all sustainability efforts should prioritise the social and environmental impact instead of following a clashing dual-purpose of profit maximisation and impact.

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