




Case Report

Teaching Case: Social Entrepreneurs and Impact Investors: A Match Made in Heaven?—Case Study of Le Champignon de Bruxelles

Freek Van Doninck ¹, Johanna Vanderstraeten ^{2,*}, Ine Paeleman ¹ and Luc Van Liedekerke ^{2,3}

¹ Department of Accountancy and Finance, University of Antwerp, Prinsstraat 13, 2000 Antwerpen, Belgium; freek.vandoninck@uantwerpen.be (F.V.D.); ine.paeleman@uantwerpen.be (I.P.)

² Department of Management, University of Antwerp, Prinsstraat 13, 2000 Antwerpen, Belgium

³ Department of Management and Department of Philosophy, University of Antwerp, Prinsstraat 13, 2000 Antwerpen, Belgium; luc.vanliedekerke@uantwerpen.be

* Correspondence: johanna.vanderstraeten@uantwerpen.be

Abstract: This teaching case addresses the strategic choices of social entrepreneurs and the issues they face in search of funding. In the heart of Europe's capital, Brussels, two aspiring entrepreneurs founded Le Champignon de Bruxelles to produce exotic mushrooms. Being true social entrepreneurs, they use a recycled substrate—brewery dredge—to do so, as such, minimizing the distance the mushrooms travel from farm to plate. After the typical “entrepreneur-in-the-basement” start, they are now at a turning point. They established themselves as a serious player in the market, producing over 6000 kg of mushrooms every month. This journey, however, did not come without its challenges. Along the way, they struggled to reconcile their idealistic mindset with the realities of the economic system and adopted a more pragmatic approach in response. At the moment, they are at a decisive moment in the company's development and are contemplating whether their current business model should be diversified and internationalized.

Keywords: social entrepreneurship; entrepreneurial finance; impact measurement; strategic positioning



Citation: Van Doninck, F.; Vanderstraeten, J.; Paeleman, I.; Van Liedekerke, L. Teaching Case: Social Entrepreneurs and Impact Investors: A Match Made in Heaven?—Case Study of Le Champignon de Bruxelles. *Sustainability* **2021**, *13*, 11467. <https://doi.org/10.3390/su132011467>

Academic Editor: Andrea Pérez

Received: 30 September 2021

Accepted: 11 October 2021

Published: 17 October 2021

Publisher's Note: MDPI stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.



Copyright: © 2021 by the authors. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

1. Introduction

Over the past seven years, Le Champignon de Bruxelles (LCDB) has grown from two mushroom-loving friends with idealistic dreams about minimizing food travel and using recycled brewery dredge, to a large mushroom production facility. Hadrien Velge and Sevan Holemans, the founders of LCDB, look back at an incredible journey; one of hard work, searching for the right business model, and grabbing opportunities to partner up with investors. This journey did not only result in being a respected player on the market, but also in a high production of over 6000 kg mushrooms per month. The vast majority of these mushrooms are being produced based on brewery dredge that they obtain from local breweries. To date, investors share their socially engaged vision. Their dream has thus come true: They have shown that it is possible to provide a city with food that is locally produced in a circular fashion, based on brewery dredge that would otherwise go to waste, and with the financial back-up of impact investors.

Despite these achievements, Hadrien Velge, the CEO of LCDB, is contemplating whether they are on the right path. Should they continue mushroom production and ultimately expand internationally? And should they put more emphasis on one part of the mushroom production process: the preparation of substrate, in this case based on brewery dredge? Using the valuable knowledge that they have acquired over the past years, they could become a leader in the niche market of substrate preparation. Another worry they ruminate on, is how to ensure continued financing, and, more importantly, how to ensure that there is a long-lasting match between his and the investor's vision.

2. LCDB and Their Philosophy

Living in the heart of Europe—Brussels—Hadrien Velge and Sevan Holemans witnessed first-hand the growth of cities and the increasing difficulty of feeding its inhabitants without exhausting our planet's resources. Because consumers expect to have all types of food available throughout the year, a piece of fruit has often travelled half the world before it lands in your hands. To make matters worse, we often do not take full advantage of the resources that nature provides us, and valuable byproducts of the food processing industry go to waste. After reading the book, *Blue Economy* [1], written by Gunter Pauli, Hadrien and Sevan, two ambitious young men were struck by the possibility of producing exotic mushrooms using organic waste, more specifically coffee grounds. This had already proven successful with oyster mushrooms. Extending this idea, they decided to focus on the Japanese shiitake mushroom, known for its unique taste and smell. Not only do they taste good, but they also contribute to a healthier diet with many medicinal applications. On top of that, the shiitake mushroom was up to that point overlooked by other sustainable mushroom producers, providing Hadrien and Sevan a commercial incentive to cultivate this type of mushroom. In 2014, they quit their jobs and founded Le Champignon de Bruxelles (LCDB). Figure 1 gives a visual overview of their journey from that point on.

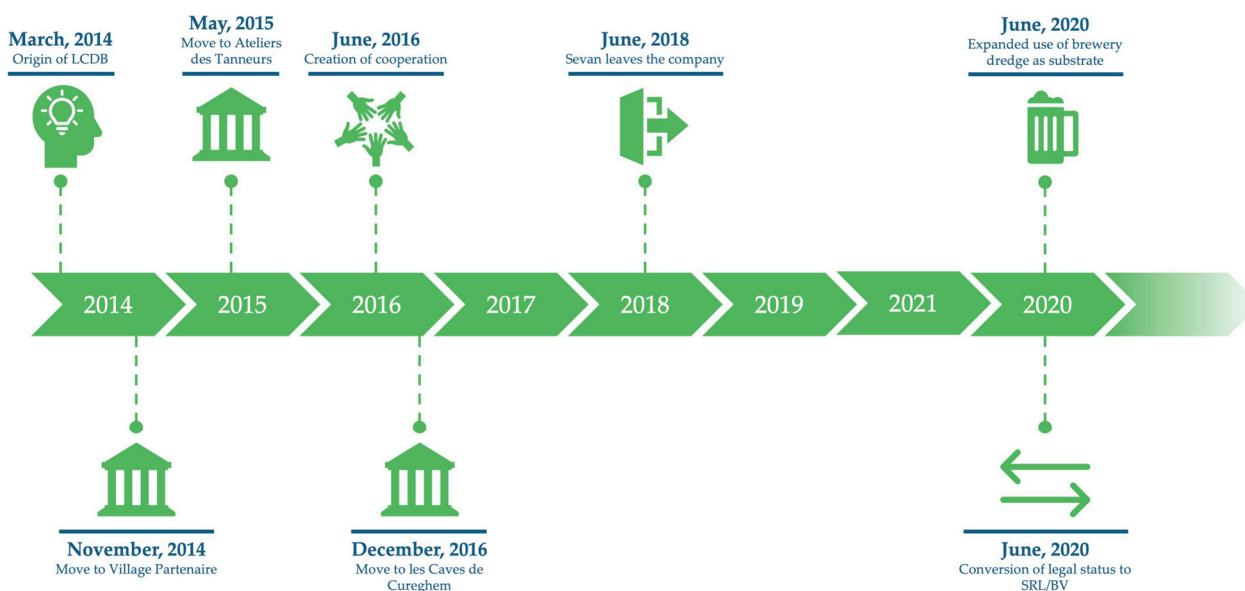


Figure 1. Timeline of Le Champignon de Bruxelles.

LCDB is a mushroom production company that operates in Les Caves de Cureghem, which is the basement of an old slaughterhouse in Brussels. Here, they currently produce a total of five types of exotic mushrooms, but the majority of their production consists of shiitake mushrooms. From this production facility, the mushrooms are shipped directly to grocery stores or restaurants.

Because the production facility is located in the heart of Brussels, they are able to deliver the mushrooms to their closest customers by bike, hereby minimizing the distance the mushrooms have to travel from farm to plate and the emission of greenhouse gasses that go along with transport. Furthermore, they grow mushrooms using organic waste. This organic waste originates as a waste stream from food processing. An example of such a waste stream are coffee grounds. To make coffee, we grind coffee beans and extract its aromatic compounds. Afterward, the coffee grounds are useless to us, but if you leave them laying around for a long time, you will notice they can still serve a purpose for other living things. Indeed, such waste streams often still contain valuable nutrients that can be used to grow unwanted fungi, but also mushrooms, a more desirable type of fungi. The same goes for brewery dredge, a byproduct of the beer brewing process. Using waste streams of other

industries is a highly desirable way to create a more circular economy, which is exactly what LCDB is striving for. Initially, they used coffee grounds as substrate, but this did not seem to be a good match in the end. After digging deeper into the production process, Hadrien and Sevan decided to use brewery dredge as a substrate for, among others, the shiitake mushroom.

“Le Champignon de Bruxelles is the idea of producing food in the city and giving a second life to the organic resources of our city. It is the idea of producing exotic mushrooms on brewery dredge. Le Champignon de Bruxelles is the fusion of Japanese wisdom and Belgian folklore.” [2]

Since its inception, LCDB has grown quite a bit. In 2021, they produced around 6000 kg/month of five different mushrooms. The majority of this production still consists of shiitake mushrooms. This production allowed them to attain a gross profit of 152,813 EUR in 2019, which is up considerably from the 8287 EUR they earned in 2017. Nevertheless, LCDB is not yet profitable. In 2019, for example, the net income amounted to −39,740 EUR. This has led to an accumulated deficit of −121,509 EUR. Furthermore, the firm’s balance sheet grew from 392,566 EUR to 632,041 EUR. As the business became larger, its reliance on bank loans increased, and in 2019, they opted for a large equipment investment. Table 1 contains the income statement from 2017 to 2019, Figure 2 provides a visual overview of LCDB’s main financial results, and Table A1 of Appendix A contains the balance sheet for the same time period.

Table 1. Income statement of Le Champignon de Bruxelles from 2017 to 2019.

	2017	2018	2019
Gross Profit	8287	96,770	152,813
Remunerations, Social Security Charges and Pensions	(60,853)	(39,686)	(103,706)
Depreciation and Reductions in Value on Start-up Expenses, Intangible and Tangible Assets	(32,339)	(43,290)	(72,089)
Other General Operating Expenses		(1801)	(10,292)
Operational Profit (EBIT)	(84,905)	11,993	(33,274)
Net Financial Income	(5149)	(3708)	(6466)
Taxable Income (EBT)	(90,054)	8285	(39,740)
Taxes			
Net Income	(90,054)	8285	(39,740)

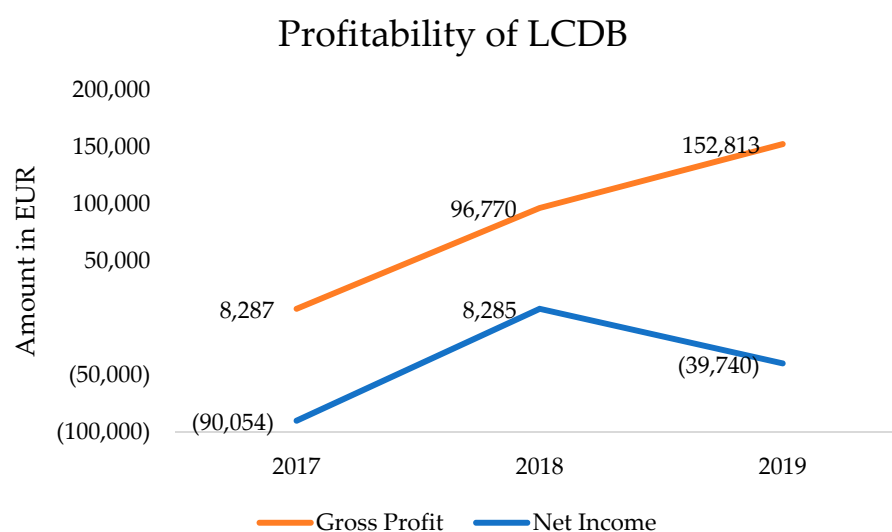


Figure 2. LCDB’s main financial results (2017–2019).

At the moment, the management team consists of four members. Hadrien Velge, one of the founding members, is the CEO of the company. Thibault Fastenakels, who joined the company in 2016, is the commercial director. Furthermore, Quentin Declerck and Sylvère Heuze take care of marketing and production, respectively. In addition, the company has twelve other full-time employees. Sevan Holemans, the other founding member, left the company in 2018, but still serves the management team in an advisory role.

Regarding investments, Scale-Up fund is one of the most important players in LCDB's history. They are not only an impact investment fund [3], but were also one of the company's earliest investors and played a large role in its development. Scale-Up was founded in 2015 by Olivier Van Cauwelaert and Emmanuel Hupin. With Scale-Up, Olivier and Emmanuel attempt to use their vast business experience to help start-ups that strive to have a positive impact on society and the environment. They do so by taking a minority stake in businesses such as LCDB and provide business guidance, in addition to funding. For their efforts they have been accredited with the B Corporation label [4].

In March of 2014, LCDB was founded by Sevan and Hadrien under a shared company number from JobYourself [5], an initiative primarily funded by the city of Brussels that allowed them to start the company without the bureaucratic burden of setting up a legal structure. Furthermore, it allowed them to retain their unemployment benefits while working on the company. The company's first location was the basement of Hadrien's grandmother. Here, the first experiments started on shiitake mushrooms with coffee grounds as substrate. About six months later, they outgrew the basement and moved to a different location: Village Partenaire [6] in Saint-Gilles, a community in Brussels. This operation served as sort of an incubator for sustainable projects. In addition to providing a location, they also provide guidance with e.g., financial plans. Because at that time, Hadrien and Sevan did not have any money to start with a production facility at the incubator, they applied for a microcredit, which was granted by Microstart (5000 EUR microcredit with an interest rate of close to 9%) [7]. Because of their low creditworthiness, they had to rely on a friend to provide a guarantee on the loan. While they were located at Village Partenaire, they started production on biological shiitakes based on sawdust. This was a temporary solution, while they fine-tuned production based on the recycled substrate: at first coffee grounds, and later brewery dredge [8].

3. Financing

Toward the end of 2014, shortly after the move to Village Partenaire, Hadrien and Sevan were short of money, and launched another fundraising campaign. This time, they relied on reward-based crowdfunding. They took part in a local crowdfunding event called "Europe Refresh" from "KissKissBankBank" [9]. In return for their contribution, the backers of the campaign got gifts such as recipe books, t-shirts, or a visit to the mushroom farm. Through this campaign they were able to raise another 10,000 EUR, as such largely exceeding the target by 2000 EUR. A second advantage of the crowdfunding campaign was that it gave an enormous boost to the awareness of their project among the general public. Hadrien and Sevan's creative approach during the crowdfunding round considerably helped for this aim: to create more buzz around their campaign, they recorded a rap song with local artists [10] in which they provided information on the advantages of the shiitake mushroom in a playful way [8].

Close to a year and a half later, in the second half of 2016, LCDB had its first major fundraising round by asking potential partners to invest in their cooperative. The first cooperator was the impact investment fund Scale-Up. They invested 125,000 EUR in capital. Although Scale-Up usually does not invest in a company that is still in such an early stage, and aims for much higher ticket sizes, their enthusiasm for the project and the human fit with its founders convinced them to come on board. To reach additional investors, LCDB organized evening events introducing their company to about 25 potential investors each time. The faith of a professional investor such as Scale-Up made it easier to convince smaller investors to contribute as well. Another advantage was the tax shelter that applied

to their company. This tax shelter would grant a potential investor a one-time tax deduction equal to 40% of the amount invested. In the end, close to 30 cooperators joined the company raising a total of 350,000 EUR. Along with the equity investment, Hadrien and Sevan were also able to obtain a bank loan for an amount of 45,000 EUR. This loan came from Brusoc, an affiliate of finance&invest.brussels [11], and the interest rate was set at close to 2%, a much more reasonable rate than the 9% on the microcredit. In total, they were able to raise close to 400,000 EUR [8,12].

During this investment round, the equity stake of the management team was considerably diluted. The current situation where the management team holds only a small equity stake potentially causes a divide in the interests of the management team and the investors. This could put tension on the relationship between those two parties and jeopardize the future of the company. Another potential drawback is that the management team could lose its drive from the moment they feel that they are working as mere employees instead of founders and co-owners of the company. Luckily, both the investors and the management team are well aware of this issue, and seek to fix it in the next funding round (2021) [12].

In the years that followed, Hadrien and Sevan relied more on bank loans than equity, thereby avoiding any further dilution. Moreover, the increased size of their firm and the backing of an investment fund gave them more credibility and made banks more confident in their ability to make good on interest payments. On one occasion, they were comparing offers from two banks: BNP Paribas-Fortis (BNP) and Triodos. BNP is one of the largest banks in Belgium but is not specifically focused on sustainable ventures such as LCDB. Nevertheless, they offered them a favorable rate and were even willing to provide business assistance and visibility. In short, the management team realized that working together with BNP would offer them a wide array of advantages, going further than the offered funding. At the same time, however, they were in doubt. Triodos' interest rate was higher than the one from BNP, but its core business was building on a more sustainable future. After careful consideration, the management team decided to go on board with Triodos, simply because of their matching philosophies. Impact investing is really in Triodos' DNA. The management team feared that for BNP, the focus would be more on marketing [8].

Around mid-2020, LCDB had another major fundraising round. This time, they raised 500,000 EUR in convertible debt. Part of the money was supplied by finance.brussels and Scale-Up. Another fraction came from new investors who are likely to invest further in the company over the next capital issuance planned for the end of 2021. Bringing them on board already allows such investors to become more acquainted with the company and the management team before pledging more money. The way things stand, the convertible debt will likely be converted to equity in a future funding round [12].

4. Strategy

The stay at Village Partenaire was relatively short lived. In May of 2015, LCDB moved to a different location: Les Ateliers des Tanneurs. It is at this time that they started to notice that coffee grounds, although useful for the cultivation of oyster mushrooms, were not a suitable substrate for shiitakes. They quickly turned their attention to another type of organic waste that is widely available in Belgium, a country famous for its beer: brewery dredge. After some research, they discovered that only a few breweries were fully exploiting this waste stream. Using brewery dredge thus not only gave them the opportunity to stay truthful to their circular economy goal, but also turned out to be an ideal substrate for shiitakes [8].

The transition to brewery dredge, however, was not straightforward. The mushroom cultivating process consists of three stages. The first stage of this process is called substrate preparation. In this step, the substrate is cleaned from any unwanted fungi or bacteria and mixed with parts of the mushrooms, similar to cuttings with plants. The next two steps are the incubation and fructification phases (see Figure 3 for an overview of this process) [13]. In the former, the root network or so-called mycelium develops before forming the actual mushrooms we are able to consume in the fructification phase. Espe-

cially during the substrate preparation phase, environmental parameters such as humidity and temperature need to be tightly controlled and fine-tuned to the substrate and the type of mushroom. Finding the optimal conditions requires considerable knowledge on the mushrooms' growing process, and preferably some experience. During the transition process, LCDB continued production of shiitake mushrooms based on sawdust. Although sawdust-based production is not how they initially wanted to go about their business, it led to revenue which allowed them to simultaneously keep the business running and continue their research on the new substrate [8].

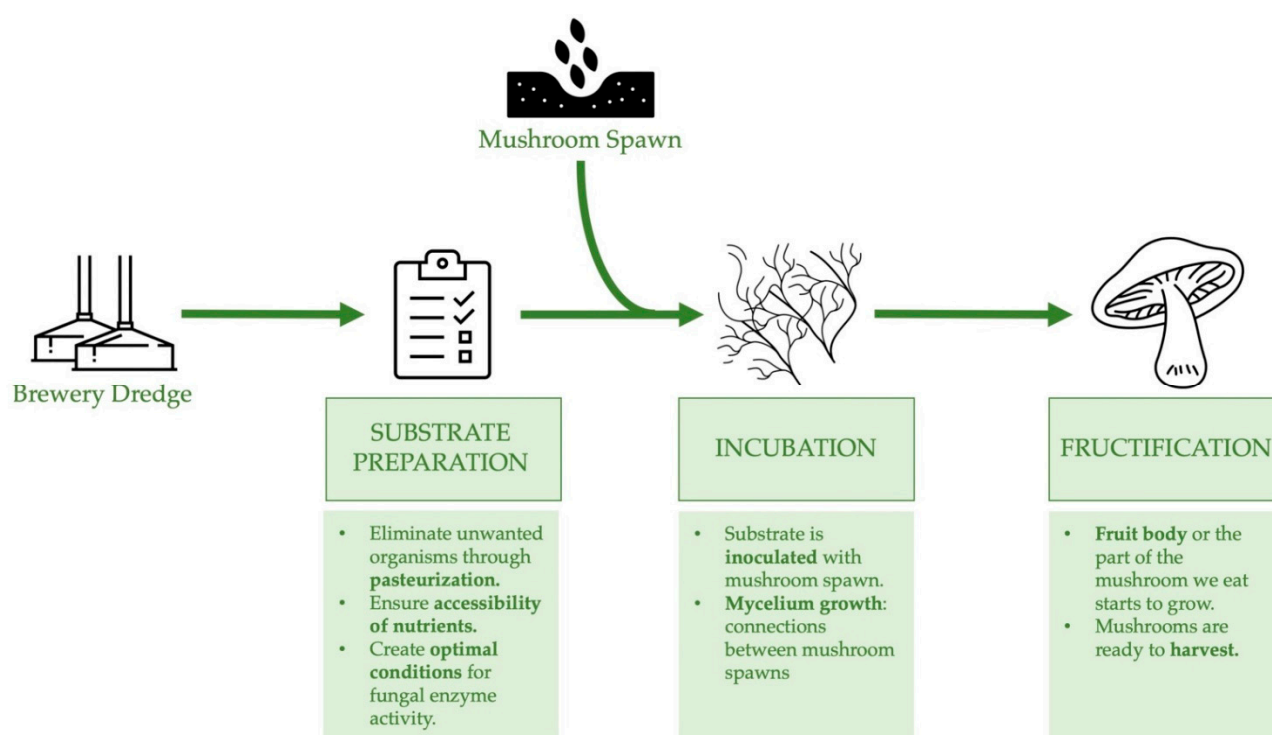


Figure 3. Overview of mushroom cultivation process (based on [13]).

At this point, the business still operated under the umbrella of JobYourself, meaning that it was not a separate entity with its own company number. By the end of 2015, preparations started to incorporate LCDB as its own business, and it is at this time they got acquainted with, as mentioned above, Scale-Up at the opening of a Färm store. Färm [14] is a chain of biological grocery stores that Scale-Up invested in; LCDB supplies them with mushrooms. Fascinated by the project, Scale-Up offered their help in developing the company through a consulting firm they were affiliated with, called Shared Values [15]. Mostly, they helped LCDB write down the legal statutes of the company in anticipation of officially registering it as a cooperative (“Coöperatief Vennootschap met Beperkte Aansprakelijkheid” (CVBA) or “Société Cooperative à Responsabilité Limitée” (SCRL) in Belgian law of that time). Shortly thereafter, in June of 2016, they officially founded the company as a separate entity; this time with Hadrien, Sevan, and Thibault as the three founding members [12].

The choice for a cooperative seemed to be an obvious choice for the founding members. Its principles were perfectly aligned with their ideas of a more social and inclusive economy. For example, cooperatives are usually not purely profit-driven and have a stronger focus on societal and environmental impact. They strive for less wage distortion among the ranks and more democracy among the investors, in this case cooperators, of the company. This, however, can potentially pose problems when raising funds. A fund such as Scale-Up wants to have a positive impact on society and the environment, *without* sacrificing profits. The investors of Scale-Up, although idealistic themselves, still require a return on their investment. Another matter to which Scale-Up showed resistance was the democratic

cooperative principle of one-man-one-vote. This implied that they would obtain as much decision power in issues affecting the future of the company as all the other cooperators, despite Scale-Up's considerably larger investment. After some discussions between LCDB and Scale-Up, the latter agreed to the one-man-one-vote rule in exchange for a permanent seat on the board of directors [8,12].

Shortly after the incorporation of the company, LCDB moved to the location they still reside in at this point: Les Caves de Cureghem. The move was not easy: Les Caves is listed as historic patrimony of the city of Brussels, implying that making changes to the building is subject to many rules. Although the four growing chambers had to be custom made to fit the arched ceilings, the move was a perfect step to further grow the company. The new location allowed LCDB to initially expand their production from 320 kg/month to 2000 kg/month. While the focus remained on shiitakes, they added two additional exotic mushroom types: the maitake and the nameko mushroom [8].

Not only did their offering grow, but also the team grew in size. One year after the incorporation, LCDB employed four full-time employees in addition to several interns. Some of these interns were hired through a subsidized program devoted to allowing young people without higher education to obtain a first working experience. These interns provided support with the day-to-day business. As the program was subsidized, part of the wages was covered by the government. This did not only have a positive impact due to decreasing costs for LCDB, but also allowed them to contribute to society by increasing employment for those with less opportunities. The remaining interns were university students. They worked on the commercial aspects of the business as well as on production and research. While LCDB was able to save a considerable amount of money by working with interns and young people in general, the amount of experience they brought in, on either the commercial or biological level, was limited.

Along the way, Scale-Up also provided LCDB with non-financial support. As mentioned above, it all started before they invested, when they helped to set up the legal statutes through a related consulting firm. This provided a solid base for the company, on which they still rely today. Furthermore, they helped LCDB establish their mission, vision and more importantly the long-term goals of the company. In addition, they continuously advised them on how to manage their logistics and the commercial aspects of the business. As a business grows, it goes from an organization where all members are involved with every aspect of the business to a firm with a more rigid structure with separate departments. This transition is not straightforward and requires considerable time and effort, especially with the lack of experience of the management team. To assist LCDB in this process, Scale-Up provided guidance during board meetings. LCDB could also rely on them for consulting services; free of charge up to eight hours every month. In practice, Scale-Up was involved for more than those eight hours. As Scale-Up eloquently explain in their vision statement: *"We invest, and we invest ourselves"* [3]. This consultancy advice allowed LCDB to transition from a small-scale start-up to a firm that produces 6000 kg of mushrooms every month. The goals of LCDB and Scale-Up were clearly aligned: Scale-Up served as an advisor and monitor of LCDB. Although they evidently made sure that the money they invested was not squandered, they were willing to put a considerable amount of effort into LCDB's development, as long as there was a clear alignment with the impact goals that were set [12,16].

When it was time to reinvest in mid-2020, Scale-Up expressed the need for LCDB to make more progress with regards to their sustainability goals. From the outset, the goal was to produce mushrooms based on organic waste, initially coffee grounds, and later brewery dredge. In anticipation of the R&D on these substrates, production was started using a more traditional substrate: sawdust. This substrate had to be brought in by truck from the Netherlands or Germany. Four years after the initial investment, Scale-Up expressed that the transition to organic waste was not yet satisfactory; only 10% of production was using brewery dredge as a substrate. Although Scale-Up understood that LCDB had to spend a huge amount of time on developing its company, this made Scale-Up question

whether LCDB would ultimately succeed in shifting their production. Upon insistence of Jean-Didier Boucau, the coordinator of Scale-Up devoted to LCDB, Scale-Up reinvested but made it a priority for LCDB to initiate the transition to brewery dredge. In less than a year, they were able to shift the majority of their production to brewery dredge. One could argue that this was the push they needed to complete the transformation. Before this time, the management team was focused on getting the business of the ground. Although LCDB placed considerable effort and money in finding a way to produce large amounts of substrates, the company's initial development required almost their full attention during the first development years. Now, six years after the foundation, LCDB has grown to a point that it had the opportunity to focus on their ultimate goal: producing mushrooms in a circular fashion. For the shiitake mushroom, the most important one, about 70% of the production could rely on the recycled brewery dredge substrate. At the time, this was the fraction of recycled substrate that the current equipment allowed. To expand this fraction, further investments are needed. For some species, it remains difficult to attain the same level of efficiency, but for others, the bio-efficiency of brewery dredge exceeds that of sawdust, increasing LCDB's gross profit margin. In the end, the use of brewery dredge seemed to be an excellent choice not only for environmental considerations, but for strategic purposes as well [12,16].

The slow progress in converting to a circular business model at LCDB raised questions at Scale-Up about how the impact of the companies they invest in should be measured and monitored. It is clear that a business model grounded in sustainable and social principles is no guarantee for actual impact. The case of LCDB illustrated to Scale-Up that there is a clear need for objective measures of impact. Based on such impact measures, goals can be set and the progress toward reaching those goals can be monitored on a regular basis. After all, Scale-Up, and in turn the investors of Scale-Up, made their investment with financial as well as impact goals in mind. To address their own concerns on impact measurement, Scale-Up decided to try out a third-party platform to monitor their investees' impact. They decided to custom design the measures to fit LCDB's business model. This type of impact reporting is one of the first of its kind in Belgium. If successful, the platform will be expanded across all of Scale-Up's investments [16].

The great results of using brewery dredge as a substrate, along with the effort it took to obtain these results, made LCDB aware of the value this know-how entails. Due to a lengthy and time-consuming R&D process, they had acquired in-depth knowledge on the mushroom cultivating process, and more specifically the substrate preparation phase. For their competitors to reach the same level, it would take time, effort, and more importantly, considerable investments. In 2021, Hadrien wondered whether he would further exploit this knowledge. They could, for example, opt for diversifying their business model and focus their investments on the preparation of the substrate. Doing so would have several advantages. It would not only allow them to make their production process fully circular but would also imply that they would be able to sell substrates to their current competitors. They would serve as suppliers of the competition that has been growing steadily in the last year, thereby profiting from their successes as well. This potential shift would be a sustainable business model, considering the time and investments it would take for those competing firms to acquire the same knowledge and possibly vertically integrate to the substrate preparation phase [12].

Alongside this focus on substrate preparation, Hadrien is considering an international expansion of their mushroom production activities. At the moment, France seems to be a feasible option. The exotic mushroom market of France is still characterized by mostly smaller players and prices are still at a high level. LCDB believe that they can deliver mushrooms at a lower price and hence find a comfortable footing in this market. Most of the other markets, such as the Netherlands and Germany, are already dominated by strong players. Furthermore, French people share the same affection for locally produced food as LCDB, evidenced by the multitude of urban agriculture projects that can be found in

cities such as Paris. For example, Infarm, who recently raised 100 million EUR, have close to 70 urban farms in and around Paris [12].

These potential shifts in their core business and/or international expansion brought another issue to the surface. The company was founded as a cooperative. This was, as explained, perfectly consistent with the principles of the founding team: a fair and democratic economic system that is not purely profit-driven. However, this legal entity already created a severe hurdle; in particular for investors who typically require a sufficiently large return on their investment. As explained, in the past years, Hadrien, Sevan and Thibault were able to work out a compromise with Scale-Up by adding them to the board of directors [8].

In 2020, however, this legal entity also started to pose a problem for the development of the company. The one-man-one-vote principle entailed that *all* investors, regardless of the amount they invested, had one vote in decisions involving the firm's goals and future. This gave considerable power to smaller investors that only contributed a few thousand euros, at the expense of the management team and large investors such as Scale-Up. Often, because these small investors were not present during board meetings, they only had a limited idea of what was actually going on in the firm. In short, the company was in the hands of people that had committed a relatively low amount of money, and were minimally involved with the company [12].

Hadrien was the first to realize that this situation was untenable and jeopardizing the future of the company: *"When I had switched my mind there was no way back for me. If it did not change, it was over for me"*. He did not feel comfortable with the current situation, which was actually, in practice, not a cooperative. A cooperative is a structure meant to serve the cooperators; they should be the customers. In the case of LCDB, the cooperators were investors, not customers. As a result, there was no other option but to change the legal statute of the company to a private company (*"Besloten Vennootschap"* (BV) or *"Société à Responsabilité Limitée"* (SRL) in Belgian law) [12].

5. Conclusions

Almost seven years ago, Hadrien and Sevan founded LCDB with the idea of producing mushrooms based on a recycled substrate—brewery dredge—in the heart of the Brussels, hereby striving for a more sustainable way of providing food for its inhabitants. Along the way, they realized how challenging it was to reconcile their ideological aspirations with an economy that is still centered on financial goals. At first, Hadrien and Sevan were idealistic. They quickly noticed that investors were not willing to sacrifice profit to the same extent as they were. Attracting large investors, such as Scale-Up, would only be possible with the prospect of a large financial return as well. As every start-up, LCDB were often cash-constrained and struggling to keep the business alive. Confronted with this hard reality, Hadrien and Sevan were forced to put money ahead of impact and the transition to a fully circular business model was lagging as a result. The investors had to remind them of the values that define their vision. Fortunately, LCDB was able to eventually complete the transition and get back on track to a more sustainable food system. The growth of the company exposed another flaw in the cooperative ideology: the democratic principle of one-man-one-vote led to a situation in which investors that were barely involved with the company, and only committed a small amount of money, were in control. Because LCDB needed fully involved investors to make business decisions, they decided to convert the legal status from a cooperative to a private company.

With regard to the primary investor, Scale-Up, the match between LCDB and Scale-Up was *"made in heaven"*. From start to finish, the long-term goals of Scale-Up and LCDB were aligned due to their shared value system. Furthermore, from an operational point of view, Scale-Up used their vast business experience to advance the professionalization of LCDB and allow them to become a successful firm. Venture capitalists often play this role for start-ups that are driven purely by financial goals. Given that Scale-Up is an impact investor and thus also has social goals in mind, they are able to realize both their financial and social goals by investing in LCDB. Besides this goal-driven and operational 'match',

Sale-Up's take toward the work involved to combine financial goals with social impact matched well with LCDB's needs. Scale-Up recognized that such a combination is not straightforward and takes time. A conventional venture capitalists would not have allowed LCDB to pursue their social goals, simply because this is time-consuming and thus impacts the venture capitalist's return on investment. LCDB, from their view, would not have welcomed a venture capitalist not being receptive for their circular economy idea, for the simple reason that they do not want to yield to financial gains at the expense of their circular economy mission.

All in all, although the road might have been bumpy from time to time, it seems LCDB has found a way to balance financial goals with impact. More importantly, regardless of their struggles, Hadrien and Sevan were able to grow LCDB from the basement of Hadrien's grandmother to a mushroom production facility spanning 3000 m² that is able to produce 6000 kg of mushrooms every month. With the majority of their production running on recycled substrate, they are contemplating whether they should diversify their business model and also become a supplier of substrate based on brewery dredge to other mushroom farms. After all, most of the expertise is in this phase, which would allow them to leverage the R&D they have performed over the past years to supply other mushroom farms in addition to serving their own production facility. The future looks bright. Alongside the opportunity to diversify their business model, an international expansion is also on the horizon.

6. Teaching Note

6.1. Case Summary

This teaching case addresses the strategic choices of social entrepreneurs and the issues they face in search of funding. Le Champignon de Bruxelles was founded by two idealistic young men, Hadrien Velge and Sevan Holemans, with the intention of finding a more circular and sustainable way of producing exotic mushrooms right in the city. They produced, among others, the Japanese shiitake mushroom based on a recycled substrate that can be found easily in Belgium: brewery dredge. In the search for external funding, they often found that their idealistic principles were not reconcilable with the demands of investors. Later, some of these principles (e.g., being a cooperative) started to hamper the company's growth. Along the way, the company founders found a way of uniting impact, with financial goals. Now, the company is at a critical point. Over the years, they have mastered the preparation of substrate based on brewery dredge. Hadrien, the current CEO, is contemplating whether they should focus on this aspect of the production process and become a substrate supplier for other mushroom farms. Can they do this, while also pursuing the international expansion of their mushroom farms?

6.2. General Objectives

This case is designed to help students understand strategic positioning and management, the search for external funding, the need for impact reporting, and the struggles of social entrepreneurs adopting a circular economy idea. Although not discussed in-depth, it also provides insights into the need for impact reporting. Based on the struggles Le Champignon de Bruxelles encountered, the student should be able to understand how impact is possible without neglecting financial goals.

6.3. Specific Objectives

More specifically, this case aims to help students understand:

- Strategic positioning and management issues of a (social) start-up;
- Fundraising as a social start-up;
- Managing the trade-off between impact and profitability;
- Indirectly (that is, not in-depth discussed in the case, but sources are provided), how impact reporting is required to objectively display a company's impact.

6.4. Target Audience

- Master students, attending a class on social entrepreneurship, strategy, entrepreneurial finance, and/or sustainability.
- From a strategic perspective, the case can be used to teach students about strategic positioning of a start-up in its market. It also exemplifies how social goals are often desirable from a strategic perspective as well.
- In the light of social entrepreneurship, the case highlights the difficulties of raising funds and developing a company. It illustrates how to align social principles with the interests of investors and the wellbeing of the company and demonstrates the importance of finding objective impact measures to avoid phenomena such as greenwashing.
- For a general entrepreneurship class, the case is a nice example of how to take advantage of the public and private support systems, such as incubators and venture capitalists.

6.5. Assignment Questions

The following questions can be used to guide students' preparation and class discussions:

6.5.1. Company Development

- Complete the timeline of LCDB's development with important financial events.
- In what ways did LCDB rely on government support during company development?
- How would you assess the impact of LCDB's social network?

6.5.2. Impact Measurement

- Go to the B corporation website [4] and look at B impact reports of other companies. Draw up an impact report for LCDB based on this case and LCDB's website. Use B impact reports of other companies as a template but work with "low/medium/large" as an evaluation measure.
- Through which Sustainable Development Goals [17] does LCDB impact the world?
- Find examples of situations in LCDB's story where impact was *not* feasible.
- Can you think of measures that can be used to monitor LCDB's impact, without restricting yourself to the B corporation website?

6.5.3. Strategy

- What do you think caused the delay in transitioning to brewery dredge as a substrate?
- Draw an industry chain for mushroom cultivation.
- Evaluate the strategic advantages of using brewery dredge instead of sawdust and relate this to the concept of value creation and value capturing.
- Search for additional material on the market of mushroom cultivation and create a five forces analysis. Position LCDB as an incumbent and use its initial core business as a starting point to define where in the industry chain LCDB is positioned.
- Link the idea of shared value creation with LCDB's story. Give an example of how LCDB ensured shared value creation.

6.5.4. Entrepreneurial Finance and Company Structure

- Can you think of a project where the cooperative structure would be suitable? In which aspects does it differ from LCDB (other than cooperators being customers instead of investors)?
- With the luxury of hindsight, we can identify two mistakes LCDB's founders made around the incorporation of the company. Which are these mistakes? Do you think these are specific to social entrepreneurs?

6.6. Theoretical Background

This teaching case can be analyzed using several theoretical perspectives, such as social entrepreneurship, circular economy, and impact investment. Strategic management is used as a cornerstone to understand LCDB's market positioning and value creation options.

Social entrepreneurship is one of the key anchor points in this study. Social enterprises such as LCDB are companies with a social mission, using a market mechanism to achieve their goal [18]. This is exactly what LCDB does: they aim to achieve a circular business model by employing brewery dredge otherwise going to waste to produce high-quality exotic mushrooms. Thus, from a market positioning point of view, LCDB adopts a niche market differentiation strategy [19], and provides value to (potential) customers via, amongst other, their circular economy idea. Important to note, is that although the conceptual differences between circular economy and sustainability are often blurred [20], the concepts are clearly distinct. Although there exist over more than 300 definitions of the word "sustainability" [21], its overarching definition is often coined as "the balanced and systemic integration of intra and intergenerational economic, social, and environmental performance" [20]. In other words, sustainability refers to the attention attributed to social and environmental performance, next to economic performance, and this in an integrative and balanced matter. In addition, a long-lasting positive effect is strived for, by making sure that not only intragenerational needs are met, but also intergenerational ones [20]. The circular economy idea has been introduced by Pearce and Turner (1989) [22]. It goes back to the idea that "the earth [is] a closed and circular system with limited assimilative capacity, and inferred from this that the economy and the environment should coexist in equilibrium" [20]. The idea of a closed loop system has been picked up by many contemporary applications, such as the cradle-to-cradle idea, developed by McDonough and Braungart (2002) [23]. It is exactly on this cradle-to-cradle idea that LCDB bases its business model.

Impact investment refers to "any investment that, in addition to obtaining a financial return, is made with the intention of generating a positive quantifiable social and/or environmental impact" [24]. An impact fund solely allocates its capital to impact investments, and is therefore also called a "responsible fund, philanthropic investment fund, or a social impact investment fund" [24]. Scale-Up is such a fund, organized as a venture capital investing in start-up or early stage companies aiming for a positive societal impact [3]. Interestingly, the need for privately organized impact funds is high, for two reasons: They can serve as a financing tool to achieve the Sustainable Development Goals under the 2030 Agenda [17], and they provide an answer to the difficulties social and/or sustainable entrepreneurs face in securing funding from conventional financing mechanisms [25]. Related to the latter, LCDB also relied on reward-based crowdfunding. As explained in the teaching case, they took part in a local crowdfunding event called 'Europe Refresh' from 'KissKissBankBank' [9]. Crowdfunding is a financing channel allowing individuals to invest in sustainable entrepreneurial activities, without the need to involve conventional financial intermediaries while doing so [25].

6.7. Teaching Strategy

To fully take advantage of the educational properties of this case study, we propose the following teaching strategy (see Table 2). We propose working in groups for the entire case. After reading the case, students should be able to narrate the story of LCDB by compiling the elements discussed in the strategic and financial sections and finding the connection. We recommend drawing up a timeline and letting one group present its timeline. After the students have a good idea of the story, we recommend covering the early development of LCDB. Here, it is important to assess the role played by public support systems, as well as the founders' personal networks. For this part, and the ones that follow, we encourage the students to actively search on the internet to find additional information that is not necessarily included in the case itself. For this reason, we have included links to the websites of several organizations that were part of LCDB's development path. Subsequently, the strategic positioning of the business should be evaluated by drawing up

the market that LCDB operates in and perform an analysis based on Porter's Five Forces and the Industry Chain.

Table 2. Proposed teaching strategy.

	Topic	Time	Details
1	Story of LCDB	20'	Draw up a timeline
2	Early Development	15' 30'	Public support structure Available social network and ecosystem
3	Strategic Positioning	20' 30' 15'	Industry chain Porter's Five Forces LCDB's strategic advantage
4	Impact Reporting	20' 15' 20'	B Corporations Sustainable Development Goals Objective impact measures
5	Match impact vs. profitability	20'	Trade-off between impact and profitability

Please note that the indicated timing relates to the timing students need to work on these topics and questions. Please allow for sufficient additional time for group presentations and discussion.

If the case is taught in the context of social entrepreneurship, we propose following up strategic aspects with impact measurement. Here, the students should be able to identify the areas that LCDB aims to impact, how they situate themselves in larger frameworks such as the United Nations' Sustainable Development Goals, and how progress in these areas can be measured.

For the strategic and impact measurement parts, we recommend a group discussion to compile the solutions of each group. The discussion can be finished with a discussion on the apparent trade-off between impact and financial goals and how to find a balance between both.

Author Contributions: Conceptualization, J.V., I.P. and L.V.L.; Formal Analysis, F.V.D.; Investigation, F.V.D., I.P., J.V. and L.V.L.; Writing—Original Draft Preparation, F.V.D. and J.V.; Writing—Review and Editing, J.V. and F.V.D.; Visualization, F.V.D.; Supervision, I.P. and J.V.; Project Administration, F.V.D. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Informed Consent Statement: Informed consent was obtained from all interviewees involved in the study.

Data Availability Statement: Not applicable.

Acknowledgments: We would like to sincerely thank Jean-Didier Boucau from Scale-Up (CVBA/SCRL), Sevan Holemans from Solifin (VZW/ASBL), and Hadrien Velge from ECLO (BV/SRL) for sharing their experiences during the interviews we conducted with them. We have permission from the interviewees to share the contents of the interviews in the form of this teaching case.

Conflicts of Interest: The authors declare no conflict of interest.

Appendix A. Financial Statements

Table A1. Balance Sheet of Le Champignon de Bruxelles from 2017 to 2019.

	2017	2018	2019
FORMATION EXPENSES	2153	1615	1076
FIXED ASSETS	127,962	250,216	404,375
Intangible Assets	22,554	25,185	22,067
Tangible Assets	103,328	217,587	375,469
Property, Land & Equipment			
Plant, Machinery and Equipment	98,564	114,676	184,734
Furniture and Vehicles	4759	10,353	10,138
Other Fixed Assets	5	92,558	180,597
Other Financial Assets	2080	7444	6839

Table A1. Cont.

	2017	2018	2019
CURRENT ASSETS	162,845	227,300	226,590
Inventory	3456	20,798	45,287
Accounts Receivable	61,570	102,606	105,785
Cash & Cash Equivalents	97,819	103,896	75,518
TOTAL ASSETS	292,960	479,131	632,041
SHAREHOLDER'S EQUITY	253,928	270,263	230,523
Capital	343,982	352,032	352,032
Issued Capital	356,382	364,432	364,432
Uncalled Capital	12,400	12,400	12,400
Accumulated Deficit	(90,054)	(81,769)	(121,509)
LIABILITIES	138,638	208,868	401,518
Long-term Debt	29,761	101,604	260,879
Short-term Debt	108,877	107,264	140,639
Current Portion of Long-term Debt	85,735	23,992	50,267
Accounts Payable	13,329	56,462	76,163
Advances Received on Contracts	3254		
Debts Relating to Taxes, Remuneration and Social Security Contributions	6559	8185	4437
Other Debt		18,625	9772
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	392,566	479,131	632,041

References

1. Pauli, G. *The Blue Economy: 10 Years—100 Innovations—100 Million Jobs*; Paradigm Publications: Taos, NM, USA, 2010; ISBN 9780912111902.
2. Le Champignon de Bruxelles. Available online: <https://lechampionnondebruxelles.be> (accessed on 4 August 2021).
3. Scale-Up Fund. Available online: <https://www.scale-up.fund> (accessed on 4 August 2021).
4. B Corporation. Available online: <https://bcorporation.net> (accessed on 4 August 2021).
5. JobYourself. Available online: <http://jobyourself.be/> (accessed on 4 August 2021).
6. Village Partenaire. Available online: <https://www.villagepartenaire.com> (accessed on 4 August 2021).
7. Microstart. Available online: <https://microstart.be> (accessed on 4 August 2021).
8. Holemans, S. Interviewed by authors. 22 April; 2021.
9. Europe Refresh—Le Champignon de Bruxelles. Available online: <https://www.kisskissbankbank.com/nl/projects/le-champignon-de-bruxelles--2> (accessed on 4 August 2021).
10. PANG!—Le Champignon de Bruxelles. Available online: <https://www.youtube.com/watch?v=vd8YHn5Homo> (accessed on 4 August 2021).
11. Finance&Invest.Brussels. Available online: <https://www.finance.brussels/> (accessed on 4 August 2021).
12. Velge, H. Interviewed by authors. 3 June; 2021.
13. Milenkovic, I. *Mushroom Cultivation Manual for the Small Mushroom Entrepreneurs*; Ekofungi: Belgrade, Serbia, 2017.
14. Färm. Available online: <https://farm.coop> (accessed on 4 August 2021).
15. Shared Values. Available online: <http://sharedvalues.coop> (accessed on 4 August 2021).
16. Boucau, J.-D. Interviewed by authors. 24 June; 2021.
17. Sustainable Development Goals. Available online: <https://sdgs.un.org/goals> (accessed on 4 August 2021).
18. Mair, J.; Martí, I. Social entrepreneurship research: A source of explanation, prediction, and delight. *J. World Bus.* **2006**, *41*, 36–44. [CrossRef]
19. Porter, M.E. *Competitive Strategy*; Free Press: New York, NY, USA, 1980.
20. Geissdoerfer, M.; Savaget, P.; Bocken, N.M.P.; Hultink, E.J. The Circular Economy—A new sustainability paradigm? *J. Clean. Prod.* **2017**, *143*, 757–768. [CrossRef]
21. Johnston, P.; Everard, M.; Santillo, D.; Robèrt, K. Reclaiming the Definition of Sustainability. *Environ. Sci. Pollut. Res.* **2007**, *14*, 60–66.
22. Pearce, D.W.; Turner, R.K. *Economics of Natural Resources and the Environment*; Johns Hopkins University Press: Baltimore, MD, USA, 1990.
23. McDonough, W.; Braungart, M. *Cradle to Cradle: Remaking the Way We Make Things*; North Point Press: New York, NY, USA, 2002.
24. Santamarta, J.C.; Storch de Gracia, M.D.; Carrascosa, M.Á.H.; Martínez-núñez, M.; García, C. de las H.; Cruz-pérez, N. Characterisation of impact funds and their potential in the context of the 2030 agenda. *Sustainability* **2021**, *13*, 6476. [CrossRef]
25. Tenner, I.; Hörisch, J. Crowdfunding sustainable entrepreneurship: What are the characteristics of crowdfunding investors? *J. Clean. Prod.* **2021**, *290*, 125667. [CrossRef]