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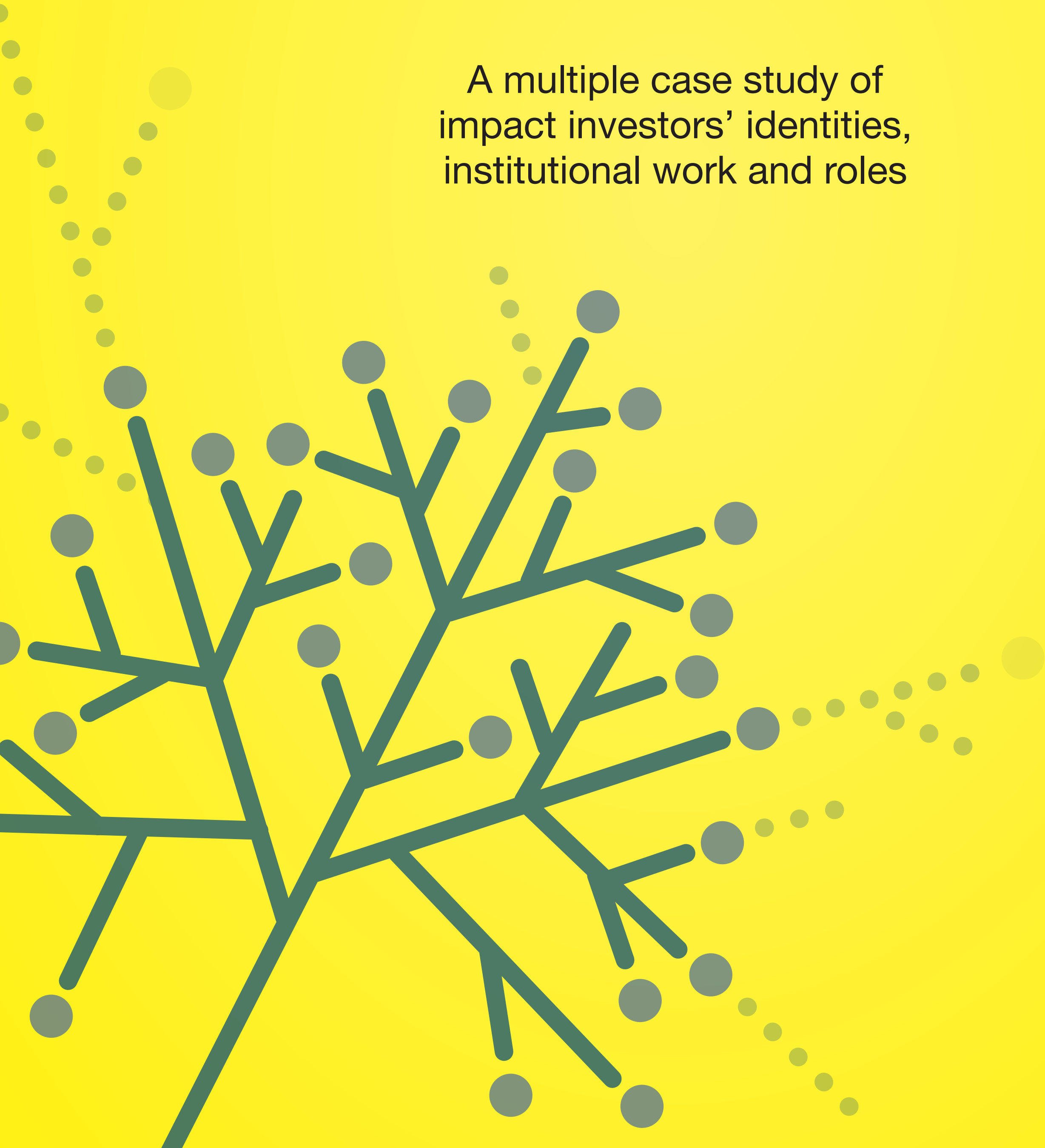
EXPLORING THE IMPACT INVESTMENT SPACE IN BRAZIL

A multiple case study of impact investors' identities, institutional work and roles



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ABSTRACT

Purpose: Impact investing has the potential to address Brazil's social challenges by supporting market-based, scalable and measurable solutions that create social and environmental impact while generating positive financial returns. Impact investing has however not been well theorized. This research aims investigate impact investing in Brazil and to present a model that explains the relation between actors' identities, their institutional work and their role.

Design/methodology/approach: This study is an explanatory multiple-case study of available impact investors in Brazil. Grounded in a pragmatist view, it takes a mainly inductive approach. It is a mixed method study using mainly interview method and archival research.

Findings: This paper empirically suggests that there is a causal relation between impact investors' identity, their institutional work, their role within the market, as well as the types of deals they pursue. The actors thereby take on specific roles, which on the one hand are based on their work, and on the other hand also explain the ticket size of their deals.

Research limitations: The limitations are related to the intrinsic properties of the methods employed (in-depth interviews), and the limited geographical area (Brazil). While the sample is heterogeneous in terms of company size and maturity, the overall sample size is rather small.

Theoretical contribution and practical implications: This study extends existing impact investing and institutional literature by uncovering that the causal relation between identities, work and roles. These newly discovered theoretical contributions suggest that roles can be dynamic. Additionally, this research offers insights on current opportunities and challenges in the impact investing space in Brazil.

Originality/Value: Impact investing is a rather new form of investing that is claimed to potentially disrupt the investing space, as it combines financial returns with social, environmental and economic impact. Though impact investing holds great potential, it has only scarcely been investigated in academia. The findings of this paper present a first step in understanding the investors' roles based on their identity and institutional work.

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1 Introduction

A lot of hype has been created around impact investing over the last few years. A countless number of reports, events and funds have sprouted up around the world all striving for impact investing's premise to achieve *both* financial return *and* social impact, including in Latin America and especially Brazil. Like many other developing markets, Brazil is struggling with the challenges of a fast-growing population, high levels of income inequality, and the enormous task of building and sustaining infrastructure to address crucial social problems.

Continuous economic growth during the last decade has created better conditions for Brazil to tackle its tremendous social challenges. Although important progress has been made to reduce poverty and increase income distribution, Brazil's social inequality remains one of the highest in the world. Today, Brazil ranks among the 15 most unequal economies in the world (World Bank, 2015). Thus, social equality is of highest priority for Brazil's long-term development. In consequence, reducing inequalities in income, improving public-service delivery, as well as promoting the diversification of economies beyond primary-product exports are necessary to lead Brazil to the next level of social and economic development (ANDE, 2014).

In this context, impact investing has the potential to address Brazil's social challenges by supporting market-based, scalable and measurable solutions that create social and environmental impact while generating positive financial returns.

1.1 Practical Relevance

Over the last ten years, the development of the Brazilian impact investing space has been particularly vibrant. In fact, the Brazilian landscape has evolved from only three international actors to more than 20 actors, both local and international, investing in organizations in various sectors today. The remarkable increase in the number of investors as well as amount of capital, greater coordination among actors, and a more professional workforce active in the industry, have facilitated the development of the still nascent but rapidly evolving impact investing industry (ANDE, 2014; B&C, 2014).

In consequence, the past years of industry building in impact investing have been dynamic, creative and, most importantly, productive, as the amount of capital has risen continuously and key intermediaries have developed. However, key challenges have emerged: there are still only few investment-ready projects and social enterprises to enable the best possible placement of this new capital and methods for measuring social impact are imperfect (Harji & Jackson, 2012).

Heterogeneous landscape of impact investing in Brazil

Not only has the number of actors within the impact investing industry grown impressively over the last years, but also the diversity of actors. Just as in the traditional investment universe, impact investors differ in the nature of their motivations, risk and return expectations, assets and social impact objectives. Thus, impact investors are heterogeneous in the sense that they vary widely across these and other dimensions. (Harji & Jackson, 2012; Trelstad, Simon, Barmeier, 2010).

An extremely diverse set of actors can also be witnessed within the Brazilian impact investing space. The heterogeneous landscape of impact investors in Brazil includes business accelerators doing financial investments, family offices, open-ended or evergreen investors, closed-end funds, foundations, multilateral development banks and philanthropic investment funds. The specific characteristics of these actors vary widely in terms of investment focus, assets under management and experience, as most national investors were only established recently (ANDE, 2014).

1.2 Theoretical relevance

Within this highly diverse set of actors, there are three different groups of firms operating in the Brazilian impact investing space: (1) large international organizations, (2) homegrown Brazilian investors and (3) foreign-based impact investors. Large international organizations have been among the first actors who started to initiate investments into the social sector in Brazil. Homegrown local investors were the first national movers who began to explore impact investing opportunities, followed by foreign-based ‘intermediate’ foundations / impact investors.

This large variety of firms that is active in the Brazilian impact investing space causes institutional complexity. While all firms are challenging longstanding institutions of traditional investments in the pursuit of social impact, the firms show differences in what they do, how they understand or present themselves, and with whom they interact. Within these three groups, firms have different identities, undertake different types of institutional work, and play different roles to initiate change.

Understanding the dynamics that underlie these differences and the specific identities and roles of actors within these groups will help determine how they engage in the institutional change and the development of the Brazilian impact investing space.

1.3 Research Question

By exploring the different identities and institutional work the firms undertake this research intends to find out what the roles and rationales are for the different actors, leading to the following research question:

To what extent does impact investment firms’ identity determine specific types of institutional work and how does this influence the role they play in the market?

To explore this, an explanatory investigation into the impact investment space in Brazil has been undertaken. The practical and theoretical contribution of this study is therefore to advance the current understanding of the actors currently pursuing impact investing in Brazil, and the causal relation between each of their identities, their institutional work and the resulting role and deals.

1.4 Structure

This research is arranged in the following way: after having presented the practical and theoretical relevance, as well as the research question, the next chapter will outline the methodology underlying this study. More specifically, it will present the research philosophy on which this study is based, as well as the research strategy applied in the empirical investigation. Chapter two will furthermore outline the procedure of data analysis and the credibility of the research. Thereafter, an extensive literature review is presented in chapter three, which offers a theoretical background for this investigation. Chapter four outlines the case description on which this investigation is based. The findings gained from the data analysis are presented in chapter five, along with a model visualizing these findings. The following discussion in chapter six showcases theoretical contributions, as well as managerial and societal implications, while also addressing the limitations of this investigation and pointing to further research areas. Lastly, chapter seven concludes on the initial aim of this research, its findings and the contributions and implications gained from these.

2 Methodology

In this chapter, I will state my epistemological position and explain how this choice influences my research design. Subsequently, I will go into detail in regard to how data has been collected and analyzed. Eventually, I will outline the limitations, which my research implies. In addition, it will review the limits and strengths of the chosen view, methods, and material. Furthermore, it will look at the consequences of the delimitation and specify the important terms used throughout the project.

Purpose of the Project

The objective of this project is finding out *to what extent impact investment firms' identities determine specific types of institutional work and how does this influence the role they play in the market* by using multiple case studies. This results in a mainly explanatory study, as this paper is seeking to establish causal relationship between variables. However, it can be argued that conducting an explanatory study would not be useful without including a large degree of descriptive elements. In fact, this study starts out as descriptive, and it is by taking departure in that which can make this study veritably explanatory.

In order to examine and eventually answer my research question by using a multiple case study, I am in need of a strong inductive approach, which is facilitated by various data collection methods, and the analytical approach of an explanatory theory allowing a combination of both inductive and deductive methods.

The research design is, however, also highly influenced by factors such as the limited time frame, scope of the project, which equals 80 pages and the in-existent funding. (Saunders, Lewis, & Thornhill, 2009)

2.1 Research Philosophy

Pragmatism & Approach

The aim of this project is, as in most social science projects, to gain knowledge. As this is the case, questions about what constitutes acceptable knowledge claims and how reality is viewed, arise. Both of these considerations are important, as they will affect the research methods as well as the interpretation of findings, whether it's made explicit or not. Therefore, I want to make my choice of research philosophy unequivocal and reflect on the consequences it has had. (Saunders. et. al 2009).

Pragmatism is of a practical nature and puts higher focus on answering the research question, rather than lengthy discussions about the nature of knowledge. Pragmatism, therefore, justifies different positions in terms of epistemology and ontology, in different situations in the same project (Saunders. et. al 2009). It enables us to act more intuitively, and it takes the standpoint that the arrival at valid results justifies the techniques used. Thus, the high focus on the research issue allows for both qualitative and quantitative data collection (Saunders. et. al 2009).

The pragmatist view enables me to think of both observable phenomena and subjective meanings as real knowledge. Thus, these two epistemological perspectives can be integrated in this project for the interpretation of data (Saunders. et. al 2009). By applying controlled methods I can objectively gain access to reality (Pedersen. 2005), resulting in facts and law-like generalizations can be made. The financial data of the case companies, for instance, is based on data collected from the case companies own publications as well as publications from independent actors and interpreted without the influence of subjective meanings. However, I do realize that business situations are both complex and unique, as they are the result of circumstances and individuals coming together (Saunders et al. 2009) and need to be treated as such. Therefore, when deemed appropriate, for example when comparing and interpreting the data collected from interviewing the different case companies, I adopt a subjectivist stance, which assumes that the reality I can see as researchers is an interpreted result of our view of the world (Pedersen. 2005).

I consider the case companies as some of many actors in a larger system, i.e. the impact investment sector in Brazil. At points this means that I can rely on an objective reality independent of the social actors concerned with its existence. However, as I consider one specific market in which these companies operate, I also need to accept that the phenomena may be a result from the perceptions and actions of the social actors concerned with its existence. Thus, I adopt both subjectivism and objectivism in my ontological view.

Throughout this study, I follow an inductive approach. Yet, despite the project's highly inductive nature, it is neither purely inductive nor purely deductive, but rather a combination of the two. The theories have been chosen according to the primary data collected through interviews, thus making the project inductive. However the secondary data was collected according to the theories chosen, therefore showing the deductive nature of this project. The flexible structure of our research that permits changes of the research emphasis as the project progresses as well as the collection of qualitative data through an interview makes the project inductive. This approach seemed most suitable as I went back and forth between data and theories by pursuing the identification of key actors in the Brazilian impact investing space. Based on that, I aim to explain the their specific roles and activities and their connections which eventually form a vibrant market. Furthermore, this study intends to explain differences between activities of such diverse actors. (Saunders et al. 2009).

2.2 Research Strategy: The Multiple Case Study

This leads us to the decision of choosing a case study format for my investigations, as research based on case studies works best for explanatory studies like the present one. The main advantage of a case study is to investigate an organization or concept in depth and implement the existing and developing knowledge to the case. The case study is a research strategy, which 'focuses on understanding the dynamics present within single settings' (Eisenhardt, 1989: 534).

Concerning my research, this setting enabled me to get direct insights from the impact investing sector, the perception of the concept of impact investing, the entrepreneurial process behind it and its effects on the industry. I chose several different cases, in order to be able to identify some cross-case patterns to better be able to draw conclusions that are of value for the industry.

A multiple case study allows researchers to examine differences between and inside the cases. “Because comparisons will be drawn, it is imperative that the cases are chosen carefully so that the researcher can predict similar results across cases, or predict contrasting results based on a theory” (Yin, 2003).

2.1.1 Time horizon

This project is time constrained and lacks external funding, which makes the cross-sectional time horizon most suitable (Saunders et. al. 2009). This means that I am exploring actors in the Brazilian impact investment sector at this point of time. Yet, I do include what happened in the past, it will not be a project that investigates developments over time.

2.1.2 Mixed-method study

Both quantitative data and qualitative data have their strengths and weaknesses and mixed methods can be used as a way to confirm the results from one method. This is often referred to as triangulation, and can limit the influence of the procedures on findings, which makes it easier to evaluate if findings are reliable or not (Saunders et. al. 2009). In addition, mixed methods have enabled me to find more data by conducting interviews as well as collecting archived data.

Cresswell (2003) defines four different decisions that need to be made when applying mixed methods in a project: implementation, priority, integration and theoretical perspective. First, I have been collecting quantitative and qualitative data concurrently, rather than in a sequential order. Second, the priority of the data is equal as I use mixed methods to triangulate the data and to complement the strengths and weaknesses of one and other. Third, the integration of the mixed data takes place at different stages. For example, the quantitative data from the financial data and the qualitative data from the interviews with the case companies are integrated at the interpretation stage. Finally, as already made clear, my project design is guided by pragmatism as a theoretical perspective. These four decisions determine the use of mixed methods as a concurrent triangulation strategy, which often results in well-validated and substantiated findings. However, it should be acknowledged that the limits include that it may be difficult to compare the findings if the are in two different forms (Cresswell. 2003).

2.3 Data Collection

Since I am investigating a topic that is of rather novel nature regarding the academic context, I chose to conduct my research using a qualitative approach. Qualitative data allows the researcher to focus on going into detail and thereby exploring the many different aspects of a topic. It focuses much more on the depth of information gathered rather than gaining a high quantity (Edmondson & McManus, 2007). In the case of investigating on a topic of fairly new nature, Edmondson and McManus (2007) speak of researching a 'nascent field', which I claim applies in my subject. This type of investigations typically involves an open-ended inquiry about a phenomenon of interest as their research question, as well as initially open-ended data that need to be interpreted for meaning. Regarding methods, the authors name interviews, observations, obtaining documents or other material from field sites relevant to the phenomenon of interest as the most suitable approach for collection the data (Edmondson & McManus, 2007: 1160).

2.3.1 Primary Data Collection

Interviews

The primary data quality research method used is the semi-structured interviews, which contained a list of key questions to ensure that key areas are going to be described, leaving room for discussions to further explore these areas. The force of an interview is to get people's direct opinion and thoughts about a topic, and at the same time have a dialogue and the possibility to ask more into one answer or new topic (Kvale, 1997).

My chosen interview partners sample a variation of impact investors. I conducted four interviews with four different interview partners in the period of February 2015 to July 2015. The selection of the cases is an important aspect when used as the base of the research design. Thus, an important question is: What were the criteria for selecting my interview partners?

First, I wanted to gain deeper understanding about the impact investing phenomenon, which implies that I needed to talk to fund managers of impact investing firms. Since I am focusing my explorations geographically on Brazil, a second criterion was that the interviewees are located and involved in the social investment scene in Brazil. Apart from that, I kept the sampling strategy quite open, not restricting to a certain type of impact investing firm, but rather aiming for a broad range to cover as many aspects of the phenomenon as possible by interviewing professionals who have the best knowledge on the research topic. Based on this approach I created a short-list of several impact-investing firms operating in the Brazilian market from my personal network and of what I identified in my initial research. I approached them separately and evaluated the outcomes after every interview had been conducted. In consequence, I decided on the next case to look at, in order to assure a diversity of the findings. Eventually, I interviewed four different impact investors, which are highly involved in impact investing.

The table below gives an overview over the selected cases. These cases will be presented in more detail in the upcoming chapter.

Interview Subjects

(1) Leonardo Letelier, Founder & CEO - SITAWI Finance for Good
(2) Daniel Izzo, Co-Founder & Executive Director - VOX Capital
(3) Juan Carlos Moreno, Investment Director Brazil - LGT Venture Philanthropy
(4) Hector Gomez Ang, Country Manager - International Finance Corporation (IFC)

To ensure an effective collection of data, all interviews followed an interview guide. This guide was created according to a list of topics and served as a checklist to make sure that all relevant areas of interest were covered. Topics included, for example, the philosophical approach, the due diligence processes, the investments criteria and social impact assessment.

2.3.1 Secondary Data Collection

In addition the primary data, archived data was used as well in order to help the descriptive as well as the explanatory research of this paper. This research includes documentary secondary data, as it uses written materials, such as the organizations' web pages and their online publications. Thus, these can be stated as coming straight from the source. Furthermore, this study used time-series based multiple sourced data, like industry reports, as well as ad hoc surveys.

Validity of data

The impact investment sector is a new field with an increasing amount of actors. Thus, it is a topic that has not yet been researched extensively, which has been a constraint for the secondary data collection. Another dilemma encountered is that this sector is fast growing, and major changes occur frequently. This made it difficult to completely rely on literature sources and academic projects, which has pushed the research in the direction of sources that are updated habitually.

Despite the scarceness of research projects and literature there is a huge interest from various media and a constant stream of articles published about impact investment. The advantage of these sources is that they are up to date, and include important events of the company. Additionally, they tend to be available online and therefore, can be accessed easily.

Reliability

Secondary data collected for this study refer to two main categories. As mentioned before, I collected both documents stemming right from the source and also other online material that does not directly coming from external sources. High validity and reliability was ensured for the first type of documents due to the fact that they originated directly in the source. The latter type of secondary data however, is treated with caution. Furthermore, it was mostly retrieved from trustworthy professional impact investing industry portals such the Global Impact Investing Network (GIIN), the Rockefeller Foundation, or JP Morgan, which are internationally acknowledged.

2.3 Data Analysis

My interviews provided me with a vast amount of data in form of words, which needed to be broken down by following a consistent way of processing the data. In order to do that, I followed substantive coding which conceptualizes empirical data. As Charmaz states, it lets the researcher directly work with the data by fracturing and analyzing it. The beginning process of open coding makes core categories and concepts emerge (2006).

First, I fully transcribed all interviews. These transcripts allowed me to go back and forth to the data. I followed the process of open coding during which I made notes referring to certain labels in the margins of transcripts. Furthermore, secondary data was included into this process of coding. Eventually, this resulted in a total of 28 labels. Next, I applied the so-called process of 'axial coding' which meant that I grouped all of these labels to create an overview and recognize relationships (see Saunders et al., 2009). Thus, I could develop a more specific overview of my data and furthermore recognize relationships and connections. This process of grouping allowed main categories such as identity, role and institutional work to emerge.

Main categories emerged through the process of grouping, and furthermore by quantifying data by counting certain labels. For example, codes relating to the overall concept of 'identity' emerged 63 times implying importance. Consequently, identity was deemed important enough to become an overall category. Such counting enabled me to diminish my own bias, which could otherwise lead to assumptions that some categories may be of greater importance than is actually at hand. Moreover, I paid attention to contrasts, which sharpened the understanding of collected data. Thus, the contrast of role versus institutional work was found, and created a logical chain of evidence of how various actors behave according to their designated roles. In order to structure my process, I created a word document, which allowed me to make notes and comments. This served both as a working document for my analysis and as a good overview displaying the importance of emerging categories. During the last stage of coding, namely 'selective coding', I identified central categories. This last stage focuses on uncovering and developing relationships between principal categories to develop explanatory theory (Saunders et al., 2009). Finally, the following four central categories emerged: **identity**, **role**, **deal** and **institutional work.**

In this study, I will examine relationships of such central categories with the help of detailed case analyses focusing on different roles' activities. Subsequently, connections and roles are made visible by placing various actors within the impact investing space, which shows the causal relationship between the actors' identity, work and role (see chapter 5).

2.4 Credibility of Research

To guarantee a trustworthiness of my conducted research, multiple aspects such as validity of findings, credibility, generalizability, reliability and conformability were addressed.

Validity of Findings

In relation to the validity of the methodological decisions done in this paper, it has to be examined if what was intended to investigate was investigated, using the right methodological choices and trustable working techniques (Olsen & Pedersen, 2004).

It was tried to secure the validity of data by using different methods to acquire data, triangulate the analysis of data applying different theoretical approaches and being attentive to bias.

Different methods have been used to acquire data with the aim of getting various angles on the research field and question. To secure the validity of the data acquisition applying both qualitative and quantitative methods has been used.

I am well aware of the risk of bias postponed to the use of qualitative methods due to its subjectivity. It has been kept in mind during the research and tried to keep an objective mind, by taking a step back and looking at the bigger picture.

Credibility

The description of my interviewees shows that I specifically concentrated on collecting data from trustworthy and highly relevant and furthermore internationally renown sources. Selecting these interviewees ensured the retrieval of rich data from various perspectives from within the impact invest market. To further strengthen credibility, triangulation through the use of the mixed methods approach regarding the data collection as depicted earlier was applied.

Generalizability

As my research is based on a multiple case study I aimed at designing a study that is as generalizable as possible within my abilities. I examined multiple cases consisting of very different companies and actors. Furthermore, I interviewed 4 main actors of the field, which are all highly credible actors, the field of impact investing and additionally make up the majority of the market with their different characteristics. Nevertheless, my study yields very case specific findings. However, to give the reader the best judgment and enable generalizations as best as possible, I produced a highly detailed description of the field setting, my case companies and my methods. Also, I stress that my findings are only suggestive.

Reliability

In order to ensure consistency and thus reliability, I present this chapter of Methodology, which aims at describing my research process in detail by explaining the reasoning behind i.e. my choice of data and analytical procedures.

Confirmability

Confirmability concerns the concept of objectivity. Besides acknowledging an inevitable intrusion of the researcher's bias, I undertook various measures to promote objectivity. I applied a highly structured coding process of various steps aiming at objectivity and applied triangulation wherever possible to reduce bias.

2.5 Delimitations

The research design, topic and depth is highly influenced by factors such as the time frame of six months, scope of the project which equals 80 pages and the in-existent funding. The time limitation influenced also the amount of data collected as well as the narrowing of the focus to a single case study. This project takes on a business-oriented view and therefore does not put emphasis on social issues. The focus is put on roles, activities and connections in the field of impact investing.

The companies could also have been analyzed from different perspectives, for example an company internal perspective could have been taken by conducting participant observation. However because of the limitation in time and of location, the project focused only on the challenges presented in the case.

3 Theoretical Background

The research question of this investigation is to what extent impact investment firms' identity determines specific types of work they undertake and how this influences the role they play in the market. This chapter will therefore present relevant theories from the research of impact investing, as well as providing a theoretical background on identity, institutional work and roles.

3.1 Impact Investing: What it is and where it stands today

The following section will present a definition of impact investing used for the purpose of this research, as well as the emergence of impact investing, the global landscape, and the spectrum of its investors.

3.1.1 Defining Impact Investing

Over the last two decades, a new form of investment activity has emerged all over the world that focuses explicitly on two aspects: (1) to create value for society with attention on social, economic, cultural and/or environmental factors, and (2) to deliver financial return for investors (Addis, McLeod, & Raine, 2013; Brown & Swersky; 2012; Nicholls, 2010; O'Donohoe et al., 2010; Spitzer, Emerson, & Harold, 2007).

This activity, generally referred to as 'impact investment' or 'social investment', has its origin in *third sector traditions* (focused on mutuality, civil society and gift giving), *distributive government policies* (focused on welfare through state spending) and *mainstream notions of investments* (focused on financial markets and asset management) (Nicholls 2010; Ormiston et al., 2015).

While there is a lot of talk around impact investing today, two questions stand out: What does it actually mean? And how does it relate to responsible investing? Responsible investing takes environmental, social and governance factors into consideration in investment decision-making. Thus, impact investing can be understood as a sub-set of responsible investing. The distinguishing feature of impact investing is that the investors *intentionally* invest to achieve positive social and/or environmental impact *in addition* to financial return (Hebb, 2013).

Frequently, institutional investors, which are embodied by both asset owners and asset managers, also assume that impact investing simply refers to micro-finance activities, which is an area currently attracting a lot of media attention. While impact investing includes micro-finance opportunities, it is much *more* than providing small loans to individuals in developing countries (Yunus & Weber, 2007; Hebb, 2013).

Generally speaking, impact investing occurs any time there is a deliberate decision to achieve *both* financial return *and* an additional social and/or environmental benefit from the investment opportunity. Thus, impact investing spans various asset classes that include private equity, real estate, infrastructure, public equities, and fixed income. Some authors go so far as to suggest that impact investing is an emerging asset class in itself (O'Donohoe et al. 2010, Hebb 2013).

As a consequence, impact investing is associated with **numerous terms.** These include 'double or triple bottom line', 'mission-related investing', 'program-related investment', 'blended value', 'economically targeted investing' and 'social finance' (See Figure 1) (Emerson & Bonini, 2003; Godeke & Pmares, 2009; Freireich & Fulton, 2009).

Figure 1: 'A Tower of Babel: Terms currently used'. (Freireich & Fulton, 2009 (Monitor))

No matter what terminology is used to describe the phenomenon of impact investing, this new approach is considered to be an important step towards creating innovative ways to address social needs while generating financial return at the same time (Hebb 2013).

In addition, to having numerous terms, impact investing can take **various forms.** Impact investment can appear in form of debt, equity or hybrid finance with varying levels of financial returns (market-date, below-market or market-beating). Such variation in return reflects, on the one hand, individual attitude to risk and, on the other hand, each investor's motives for entering the market.

Institutional investors, philanthropists, foundations and charities have implemented impact investment strategies. Some pursue commercial financial returns, and others are consciously organized to accept reduced financial returns in order to achieve greater social impact. Overall, it must be stated that impact investment attempts to challenge the traditional dichotomy that claims an inverse relationship between social impact and financial returns by striving for 'blended value creation' that generates *both* (Emerson 2003; Nicholls 2010; Ormiston et al., 2015).

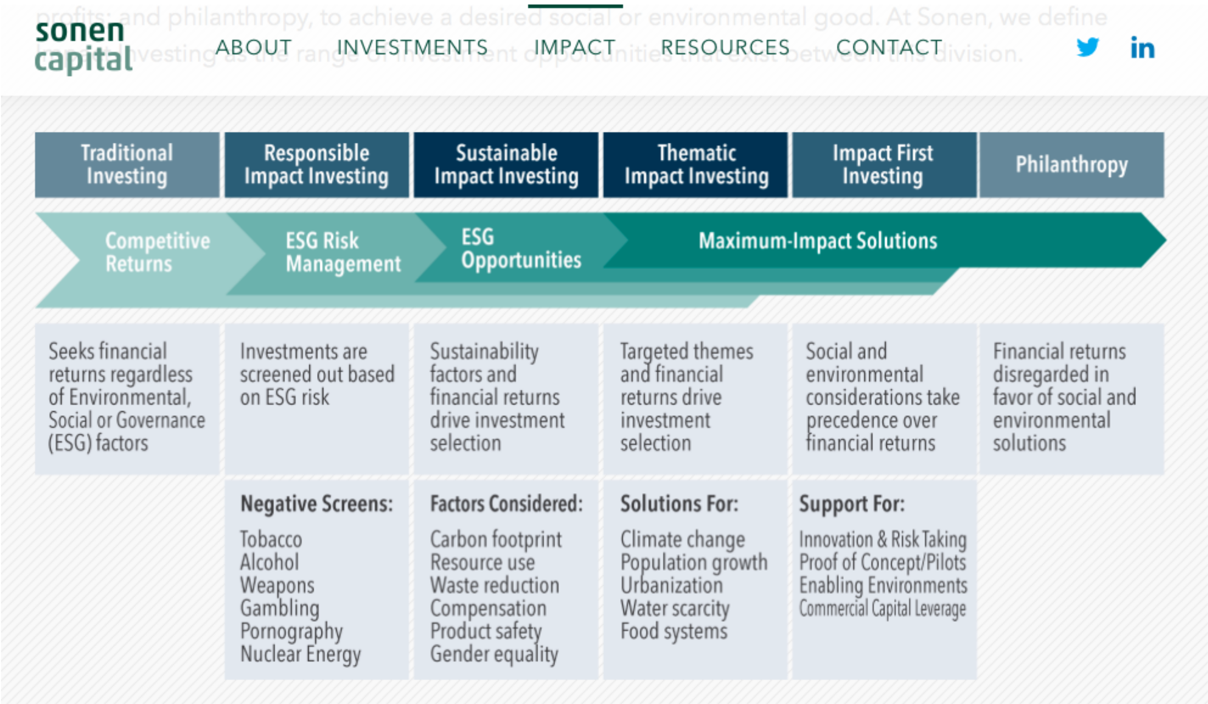


Figure 2: Traditional Investment >> Impact Investing >> Philanthropy. (Sonen Capital (web-source))

The conceptual framework and thus understanding behind the above mentioned term '**Blended Value Proposition'** which was first expressed by Jed Emerson in the early 2000s, captures impact investments' characteristics best. Emerson's proposition states 'that all organizations, whether for-profit or not, create value that consists of economic, social and environmental value components – and that investors (whether market-rate, charitable or a mix of the two) simultaneously generate all three forms of value by providing capital to organizations (Emerson and Bonini, 2003). Hence, understanding the concept of blended value is essential to understanding the implications of impact investing for both the providers of capital and its recipients (Hebb, 2013).

Impact investment is **distinguished** from traditional philanthropy and government funding by its overall goal to deliver a financial return to investors. Thus, impact investment differs from traditional investment as it explicitly aims to generate a positive impact on society (Addis, McLeod, and Raine 2013; Nicholls 2010). Consequently, impact investment is similar to, but arguably different from other ‘positive’ investment classes such as ‘socially responsible investment’ or ‘ethical investment’ as it pursues to generate **clearly defined and measurable social impact** - in contrast to simply avoiding negative externalities and focusing on high level environmental, social and governance (ESG) factors (Harji & Jackson, 2012; Nicholls, 2010; Scarlata & Alemany, 2012; Ormiston et al. 2015).

Thus, impact investment can be seen as an **evolution from socially responsible investment**, in spite of some overlap between the two fields. Socially responsible investment is considered to be an established part of asset management, which involves positive or negative screening of investments based on social, environmental, governance or ethical criteria (Renneboog, Ter Horst, and Zhang 2008). Yet, only *screening* investments does not indicate impact investment, as the **explicit intention** to generate measurable social impact is missing. In addition to investment screens, socially responsible investment also includes practices of investing in disadvantaged local communities and social venture capital funding (Renneboog, Ter Horst, & Zhang, 2008; Scholtens & Sievanen 2012). In these cases, impact investment and socially responsible investments are present in the same space. Moreover, investments in disadvantaged communities that tackle social exclusion are a strategy employed by the fields of community development finance and microfinance, both of which can be considered subsets of impact investment (Affleck & Mellor, 2006; Ormiston et al., 2015).

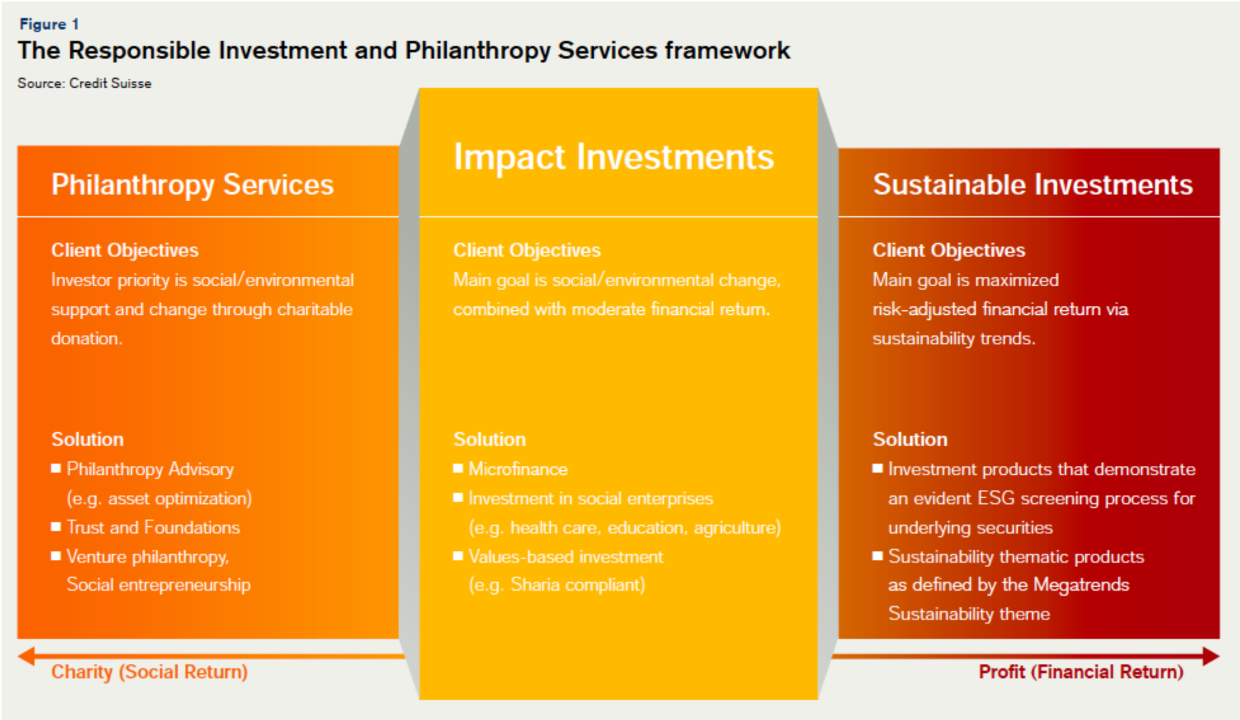


Figure 3: The Responsible Investment and Philanthropy Services Framework. (Credit Suisse)

Impact investment has the potential of providing enormous opportunities for **social entrepreneurs**, as **its goal is to accelerate funding for social innovation that combats enduring social problems** (Harji & Jackson, 2012, Nicholls & Murdoch, 2011). These problems range from **local** issues such as child protection, self-harming behavior (including drug and alcohol abuse), urban transport, indigenous disadvantage and sustainable use of natural resources, to **global** issues such as climate change, poverty and social development in post-conflict societies (Head, 2008). Such issues are typically complex, messy, interconnected and require multifaceted solutions (Mulgan 2011). Consequently, impact investment is emerging as an alternative way to receive access to additional recourses beyond philanthropy and governments grants to tackle these problems (Ormiston et al., 2015).

Figure 4: Describing Impact Investing Around the World.

(Bain & Company Report + Harji and Jackson, 2012)

The **definition of impact investing** remains a work in progress and is subject to debate. The term itself is still used interchangeably (and sometimes incorrectly) with related terms. Leading thinkers discussed an appropriate definition of the term 'impact investing' during the first Bellagio meeting in 2007, describing it as **'using profit-seeking investments to generate social and environmental good'** (Freireich & Fulton, 2009). Over the past years, subsequent attempts have sought to bring more accuracy to the definition. To date, a 2010 report, co-authored by JP Morgan, the Global Impact Investing Network (GIIN) and the Rockefeller Foundation, proposed perhaps the most pointed definition: **'investments intended to create positive impact beyond financial returns'** – not only noting the blend of financial and social returns, but clearly articulating the ***intent*** of investors to generate both. Some industry players argue that in addition to intent there should be also tangible, measurable ***evidence*** of social or environmental impact or effect at the level of individuals and households facing poverty, marginalization or other forms of distress (Harji & Jackson, 2012).

3.1.2 The Emergence of Impact Investing

In 2007, the Rockefeller foundation organized a gathering of leaders in finance, philanthropy and development at its Bellagio Center in Italy to explore and discuss the need for, as well as ways and means of building a worldwide industry for investing for social and environmental impact. This meeting coined the term and concept of ***'impact investment'*** and was the catalyst for the seminal report 'Investing for Social and Environmental Impact' by the Monitor Institute in 2009 (Harji & Jackson, 2012; Freireich & Fulton 2009).

Since this **changing point**, activities and examples involving impact investing have grown. In addition, literature and early industry analysis have started to survey the activity and the potential of the field (Addis, McLeod, & Raine, 2013). The recent '*Accelerating Impact'* report provides an overview of the developments since 2008 (Harji & Jackson, 2012). On the strength of a collective effort by industry leaders in 2008, the 2009 Monitor Report provided a **blueprint for *how* the marketplace for impact investment could evolve**. Data was collected based on extensive interviews across various sectors (Harji & Jackson, 2012).

While investing in a combination of financial and social or environmental returns is not new, the past years have seen a convergence of a number of factors that have pushed the concept and practice of impact investing forward (Harji & Jackson, 2012). The Monitor Report identified **four drivers** that generated new interest and activity in what has become known as impact investing:

(1) The 2008/09 **financial crisis** has shown the limitations of traditional models of investment decision-making and risk assessment. Thus, momentum was created to trigger a broader consideration of risk (considering environmental, social, and governance (ESG) factors, for example) into investment decisions.

(2) As the **threats of social and environmental challenges** grow more severe, there is increasing recognition that the existing resources allocated to combat these issues are insufficient, especially among Western nations that are reducing their aid budgets and domestic social spending. In consequence, a stronger desire has surfaced to supplement both philanthropy and public money in addressing these challenges.

(3) At the same time, there is **an emerging set of activities and investments** demonstrating that it is ***possible*** to finance scalable business models that deliberately generate 'blended' value.

(4) Lastly, significant wealth has been transferred to a **generation of high net worth individuals** seeking to embed their values into their investment activities. In addition, there is a new type of young professionals starting their careers aiming for both money and meaning (Freireich & Fulton, 2009; Harji & Jackson, 2012).

These four factors have given a significant boost to the considerable growth and organization of the impact investing industry.

3.1.3 The Global Landscape

Over the last decade, various actors such as new investors, focused funding intermediaries, and policy development in impact investment have emerged all over the world. Various centers of activity and early stage infrastructure have been developed to catalyze increased activity and reduce transaction costs.

In addition, global networks are emerging with a specific focus on market building, such as the Global Impact Investing Network (GIIN) and the Impact Investing Policy Collaborative (IIPC). The aim of initiatives that are developed through the work of the Impact Reporting and Investment Standards (IRIS) (www.iris.the.giin.org) and the emergence of the Global Investing Rating System (GIIRS) (www.giirs.org) is the establishment of common standards for impact measurement and benchmarking.

Furthermore, databases such as Impact Base (www.impactbase.org) or ImpactAssets 50 (www.impactassets.org) emerged in order to tackle the challenging task of unraveling the landscape of impact investment funds and products (Ormiston et al., 2015).

The United States and Canada, the United Kingdom and Europe, as well as Oceania form the major origin of capital for impact investment (Harji & Jackson, 2012; Saltuk et al., 2013). Furthermore, private individuals, charitable foundations and family offices together with international development banks have been pioneering impact investment. Meanwhile, institutional investors are gradually becoming more interested due to following reasons: a track record of successful impact investments becomes available, and investment products used to place and manage capital at scale is developed.

The demand for impact investment is a global phenomenon that spans both developed and developing countries with investments in for-profit entities, not-for-profit entities, and hybrid entities with various social and environmental impacts (Harji & Jackson, 2012; Saltuk et al., 2013; Ormiston et al. 2015).

Overall, the market has moved from a stage of **'uncoordinated innovation' to 'market building'.** While the field remains in the so-called 'marketplace building' phase (Monitor, 2009), evidence suggest that if leaders can sustain and even scale this growth further, the industry could evolve to the next phase. This subsequent phase would capture the value of the marketplace and benefit from the entrance and energy of new mainstream players (Freireich & Fulton, 2009; Harji & Jackson, 2012). Figure 5 shows this sequencing.

Figure 5: Evolution of an Impact Investing Market.

(Freireich and Fulton, *Investing for Social and Environmental Impact*, Monitor 2009)

Impact investments are occurring **all over the world** as Figure 6 illustrates. There is a broad global spread of investment destinations, which reflects the world's needs and opportunities (Addis, McLeod, & Raine, 2013).

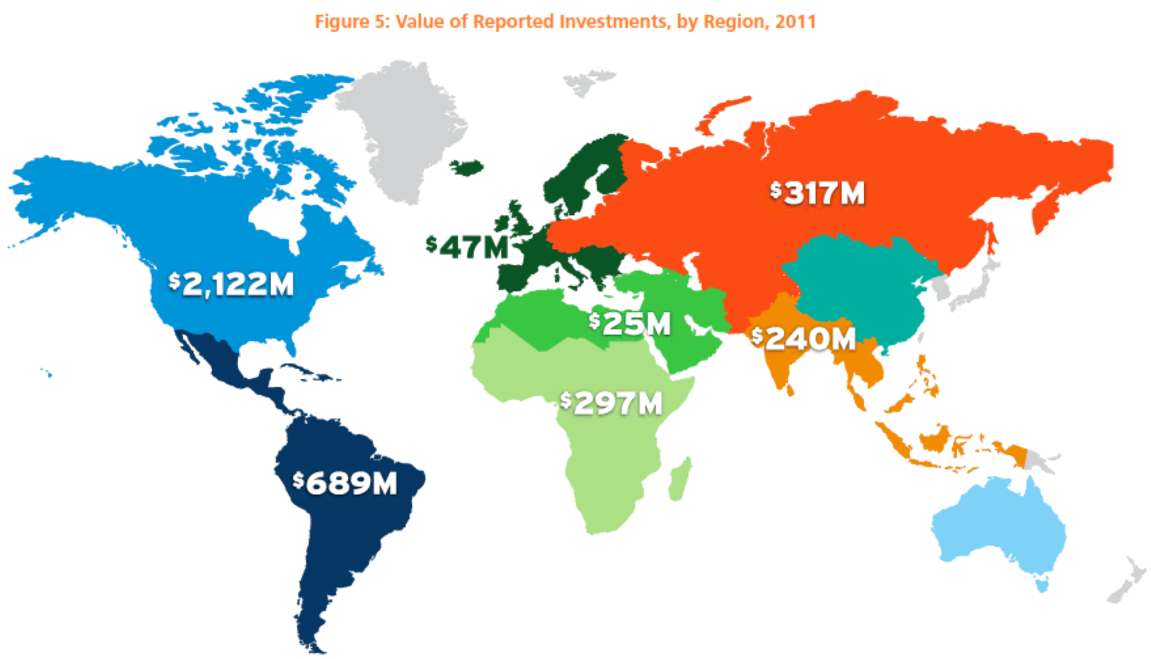


Figure 6: Value of Reported Investments, by Region, 2011.

(Saltuk, Bouri & Leung, *Insight into the Impact Investment Market*, JP Morgan and the GIIN, 2011)

However, an accurate indication of the size of the global market for impact investing is very difficult to provide, as only limited information on transactions is made publicly available. As discussed, there are various views as to what is or what is not considered to be ‘impact investment’ (Saltuk, Bouri & Leung, 2011). In addition, there is no definitive index to provide data on the size of the field, amount of capital and financial and social performance (Impact, 2013). Consequently, estimates of the current market size vary significantly between commentators, which the following comments demonstrate:

- Research collected by the Global Sustainability Investment Alliance indicates that impact and community investing (a broader categorization) represented at $**US 89 billion** in assets under management in 2012.
- JP Morgan and the GIIN’s (2013) third annual survey on the impact investment market estimates that there were at least $**US 36 billion** of impact investment assets under management in 2012 since the inception of impact investment with $**US 8 billion** worth of transactions occurring in 2012 and an expectation of at least $**US 9 billion** in 2013.

The available research and analysis highlights steady growth in both number of impact investment funds and cumulative capital under management (Impact, 2013).

Apart from the size of the field itself, the emergence of elements that imply the **transition** of impact investing globally from uncoordinated series of transactions towards a more coherent practice, represents an interesting development in the market (Addis, McLeod, & Raine, 2013).

3.1.4 The Spectrum of Impact Investors

The number and diversity of actors within the impact investing industry have grown impressively over the last years. Just as in the traditional investment universe, impact investors differ in the nature of their motivations, assets, risk and return expectations, and social impact objectives. Thus, impact investors are heterogeneous in the sense that they vary widely across these and other dimensions (Harji & Jackson, 2012; Trelstad, Simon, Barmeier, 2010).

Generally speaking, it is more useful to locate the range of impact investors within a broader scheme of all actors in the impact investing industry. Such an overview is presented in Figure 7.

ASSET OWNERS	ASSET MANAGERS	DEMAND-SIDE ACTORS	SERVICE PROVIDERS
• High net worth individuals/families • Corporations • Governments • Employees • Retail investors • Foundations	• Investment advisors • Fund managers • Family offices • Foundations • Banks • Corporations • Venture funds • Impact investment funds/intermediaries • Pension funds • Sovereign wealth funds • Development finance institutions • Government investment programs	• Corporations • Small and growing businesses • Social enterprises • Cooperatives • Microfinance institutions • Community development finance institutions	• Networks • Standards-setting bodies • Consulting firms • Non-governmental organizations • Universities • Capacity development providers • Government programs

Figure 7: Actors in the impact investing industry. (Harji and Jackson, 2012)

In this graphic, a distinction is drawn between actors owning the assets that are invested for impact, and actors managing those assets.

While the line between these two categories of actors can be blurry (e.g. a majority of corporations does some of their own asset management), the above table depicts a long list of large and small organizations that actually make impact investments. Small investors, in a relative manner, include family offices, foundations, some venture funds, and impact investing funds that serve as intermediaries for other, often larger investors (Harji & Jackson, 2012).

Among asset owners, high net worth individuals and families have played prominent roles in this effort. In a similar manner, private foundations have pioneered the impact investing industry, impact investing funds that function as intermediaries for the field, together with a select number of large financial institutions, including banks, pension funds and development finance institutions.

In addition to these and other asset owners and asset managers, the industry includes demand-sided actors that receive and utilize impact investments. These include companies, small and growing businesses, social enterprises and corporations. The final group of actors in the industry involves service provides, intermediaries and government, particularly networks and standard setting bodies (Harji & Jackson, 2012).

'Impact-first' and 'financial-first' investors

Investor's expectations in terms of risk, return, and impact vary according to their intentions. This resulted in **the classification of impact investors as 'financial-first' and 'impact-first' according to their intention.** Investors who seek social and environmental impact above financial return are defined as **'impact-first' investors.** This indicates that these investors are willing to take lower returns on their capital to achieve the social or environmental impacts they seek. In general, such investors are most likely to be found in the philanthropic community. Some foundations and family offices, as well as impact investing funds themselves, are examples of impact-first investors (Freireich & Fulton, 2009; Hebb, 2013).

In contrast, **'financial-first'** investors seek to achieve market-competitive financial returns form investments that offer the prospect of positive social and environmental impact. Banks, pension funds, sovereign wealth funds and development finance institutions are examples of 'financial-first' investors (Freireich and Fulton, 2009). Figure

8 illustrates this point. However, an equal focus on social and financial outcomes has been suggested in research on impact investing at fund level (Clark, Emerson, & Thornley, 2014; Ormiston et al., 2015).

Naturally, **trade-offs** among risk, return and impact are not straightforward. However, the intention of investors to prioritize one set of returns over another has, at least to date, provided an important milestone for understanding the risk and reward expectation of particular investor organizations, as well as for understanding the evolution of the impact investing industry as a whole (Harji & Jackson, 2012).

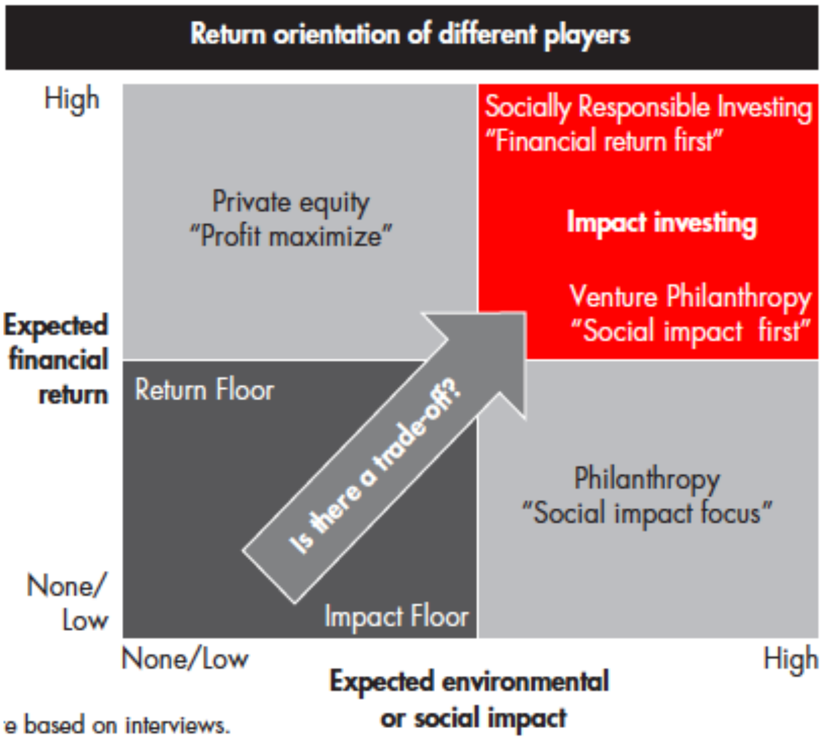


Figure 8: Return orientation of different players. (Freireich & Fulton, 2009 (Monitor))

As the above figure shows, impact investing seeks a combination of both a financial return and an environmental or social impact.

3.2 Identity, Roles and Institutional Work

The interest of this research is to understand to what extent impact investing firms' identities determine specific types of institutional work they undertake and how this influences the role they play in the market. Therefore, the following will present a theoretical background of current research on identity, institutional work and roles.

3.2.1 Identity and Roles

A study highly interesting for this research is Bertels et al.'s (2014) investigation of varied work within challenger movements, through which they analyze social movement organizations within the US environmental movement as institutional challengers. The study's aim is to explore the heterogeneous nature of the work undertaken by these social movement organizations. First, drawing upon social network analysis, Bertels et al. identify a set of distinct social positions which are linked to qualitative data on identity and work from websites and interviews, to finally identify configurations of social position, identity, and work that result into a distinct set of roles.

An understudied aspect of these challenger movements relates to the differences among organizational members, including the variation in roles adopted by different organizations. Recent organizational research has presented a more distributed view of agency, one in which **change** may result from a more "collective phenomenon that involves different actors with access to varying kinds and levels of resources, who act in either a coordinated or uncoordinated way" (Battilana, Leca, & Boxenbaum, 2009, p.89).

Thus, the work of challenging or changing institutions is increasingly understood to not exclusively be taken by heroic institutional entrepreneurs, but also in a more distributed manner, by collectives of institutional challengers or social movement actors (Hargrave & Van de Ven, 2006; Lawrence et al, 2011; Rao, Morrill, & Zald, 2000).

Challenger movements

In the field of organization studies, there has been renewed interest in the 'work' of individuals and organizations (Phillips & Lawrence, 2012). Recently, much scholarly interest has focused on the 'institutional work' of creating, maintaining and disrupting institutions (Lawrence & Suddaby, 2006; Lawrence et al., 2011). Yet, as noted by Philips and Lawrence, there are many other forms of work beyond institutional work that address "goal-directed effort(s) on the part of an actor (individual or collective) to manipulate some aspects of the social-symbolic context" (2012, p. 227). These authors cite boundary work, practice work, meaning work, emotion work, and identity work as examples (Phillips & Lawrence, 2012, p. 225). Here, the focus is on the work of actors within the impact investing space to challenge institutionalized arrangements and practices. Thus, this research is interested in the work that they each undertake that consists of goal-oriented efforts to achieve these aims.

However, in many studies of challenger work, organizations are typically classified as challengers or defenders of the status-quo, and lumped together with other challengers or defenders with a focus placed on contrasting the behaviors between these groups. However, little attention has been paid to the potential variation in the form of work undertaken within either of those groups. Thus, prior research examining endogenous change in situations has typically focused on one particular type of actor. These are either elites (e.g. DiMaggio, 1988; Greenwoord & Suddaby, 2006), fringe players (e.g. Leblebici, DSalancik, Copay, & King, 1991), or "radical" ideologically unconventional organizations (Yaziji & Doh, 2013). However, Bertels et al. expects that the "types" of work undertaken by challenger organizations will vary.

To what extent can identify explain variations in work?

Identity, in particular, has been a much-studied phenomenon in research on social movements; however, most of the theorization has occurred at the level of individuals or at the level of the movement rather than at the level of organizations that form part of the movement. Movement scholars have focused on identity as a way to explain how actors' interests emerge, as well as their motivations to act and their choice of strategies and tactics.

A large body of work explores the mechanisms of what Snow and McAdam (2000, p. 42) describe as issues of **identity correspondence —" the alignment or linkage of individual and collective identities and action."** Such work examines how individuals come to join movements and how movements shape the identities and actions of these individuals. In addition, work on the collective identities of social movements has been successful in extending early resource mobilization and political process accounts by pointing to ***how collective identity may constrain strategic choice*** (Lichertman, 1996; Polletta & Jasper, 2001). In this view, the members of social movements may develop a preference for particular tactics or strategies, which may be partly independent of their efficacy (Polletta & Jasper, 2001).

While collective identity has been used to explain the mobilization of people within a movement, Polletta and Jasper (2001) states that it has been treated both too broadly and too narrowly. In particular, **collective identity** often serves as a mechanism of data reduction, abstracting away differences among organizations claiming (or, in our case, categorized into) that identity.

3.2.2 Institutional Work

The concept of institutional work is very useful to understand specific dynamics for change and the role of actors in effecting, transforming and maintaining institutions and fields. **Institutional work** represents the broad category of "***purposive action aimed at creating, maintain, and disrupting institutions***" as defined by Lawrence & Suddaby (2006) who are among the main contributors of this field.

The underlying idea is that there are enduring elements in social life – **institutions** – that have a profound effect on thoughts, feelings and behavior of individual and collective action (Lawrence & Suddaby, 2006). Lawrence and Suddaby's understanding of institutions as "the product (intentional or otherwise) of purposive action" comes closest to Jepperson's (2001) definition of institutions as "an organized, established procedure that reflect a set of standardized interaction sequences". In addition, Jepperson points towards the possibility of viewing institutions as "patterns of sequenced interaction supported by specific mechanisms of control." Institutions, in his view, are the product of specific actions taken to reproduce, alter or destroy them (Lawrence & Suddaby, 2006).

Creating Institutions

Lawrence & Sudday (2006) highlight the importance of practices of individuals and organizations in the creation of new institutions. However, it is believed that such practices go well beyond those of institutional entrepreneurs – the creation of new institutions requires institutional work on the part of a **wide range of actors, both those with resources and skills to act as entrepreneurs and those whose role is supportive or facilitative of entrepreneur's endeavors** (Leblebici et al. 1991; Lawrence & Suddaby, 2006).

Research focusing on the creation of institutions has received the most attention by organizational scholars. In particular, by building on the notion of institutional entrepreneurship (Eisenstadt 1980; DiMaggio 1988), significant efforts have been undertaken to describe and explain the role of interested actors in the formation of institutions (Dacin et al. 2002). The primary focus of much of this research, however, has been to elaborate the characteristics of, and the conditions that produce institutional entrepreneurs. Somewhat less evident in these accounts are detailed descriptions of precisely **what it is that institutional entrepreneurs do**.

In their empirical research Lawrence & Suddaby (2006) observed **ten distinct sets of practices** though which actors engage in actions that result in the creation of new institutions. The first three types of institutional work, **'vesting', 'defining' and 'advocacy'**, reflect overtly political work in which actors reconstruct rules, property rights and boundaries that define access to material resources. The second set of practices **'constructing identities', 'changing norms' and 'constructing networks'**, emphasize actions in which belief systems are reconfigured. The final group of actions, **'mimicry', 'theorizing' and 'educating'** involve actions designed to alter abstract categorizations in which the boundaries of meaning systems are altered.

For the purpose of this research, there are six sets of practices that are more relevant than others. Namely, these are constructing identities, changing norms, constructing networks, mimicry, theorizing, educating. These will therefore be elaborated on in more detail below, as they will provide a theoretical background for the analysis.

Constructing identities

The construction of identities as a form of institutional work is central to the creation of institutions because **identities describe the relationship between an actor and the field in which that actor operates** (Bourdieu and Wacquant, 1992; Lawrence & Suddaby, 2006). In institutional theory, the construction of identities as a form of institutional work has been primarily associated with the development of professions, as illustrated in studies both of the emergence of new professions and the transformation of existing ones (Covaleski et al 1998; Brock et al. 1999). In the literature reviewed, the construction of professional identities was engaged both from **outside** of the professional groups in questions (Oakes et al, 1998) and by groups **themselves**, as in Lounsbury's (2001) examination of recyclers. This latter study highlights the importance of **collective action** in accomplishing the construction of identities as a form of normative institutional work.

Changing normative associations

A different form of work aims at creating new institutions involved the reformulating of normative associations: **re-making the connections between sets of practices and the moral and cultural foundations for those practices** (Lawrence & Suddaby, 2006). This form of institutional work often led to new institutions, which were parallel or complementary to existing institutions and did not directly challenge the pre-existing institutions but, rather, simultaneously supported or led actors to question them. One version of this form of institutional work that has been observed across a wide variety of domains is **the substitution of generalized private-sector, for-profit norms for field-specific norms that focus on such issues as human welfare or professional autonomy** (Townley 1997, Kitchener 2002).

In Twonley's study focusing on the attempt to institute a private-sector approach to HR in UK universities: "the key to more dynamic and efficient universities lay **in the practices and policies associated with private sector organizations, the latter commanding ideological overtones of efficiency and effectiveness"** (Townley 1997: 265). Kitchener (2002:401) describes similar forms of institutional work in the field of US healthcare in the 1980s: in that arena, a group of 'political reformers' wrote a series of policy papers that '**renewed calls for healthcare organizations to adopt "business-like" structures and managerial practices'**

Constructing networks

Another form of work aimed at creating institutions involves the construction of what is by Lawrence & Suddaby (2006) referred to as 'normative networks', which are "**inter-organizational connections through which practices become normatively sanctioned, and which form the relevant peer group with respect to compliance, monitoring and evaluation".**

The three forms of institutional work identified above share the common attribute of focusing on normative structure of institutions. That is, they each attend to the **roles, values and norms** that underpin institutions. The types of institutional work differ, however, in the contextual relationship that define the normative structure of institutions.

Constructing identities is a form of institutional work that concentrates attention on the relationship between an actor and the institutional field in which they function. **Changing normative associations,** by contrast, involves work that manipulates the relationship between norms and the institutional field in which they are produces.

Finally, **constructing normative networks** describes a form of institutional work that alters the relationship between actors in the field by changing the normative assumptions that connect them. Thus, three different types of interactions can be observed (actor-field; norm-field; actor-actor) that provide the foundation for new institutional formation. Even more significant perhaps is the observed need for greater analytical attention to be paid by future research **to the way in which actors work to make these interactions cohere into a consistent and enduring structure** (Lawrence & Suddaby, 2006).

Mimicry

Actors who attempt to create new institutions have the **potential to leverage existing sets of taken-for-granted practices, technologies and rules, if they are able to associate the new with the old in some way that ease adoption**.
One of this is done through mimicry. In Hargadon and Douglas' (2001: 479) rich historical account of Edison's efforts to institutionalize electric light, they argue that 'by designing incandescent light around many of the concrete features of the already familiar gas system, Edison drew on public's pre-existing understanding of the technology, its value, and its uses' (Lawrence & Suddaby, 2006).

Theorizing

Theorizing is **'the development and specification of abstract categories, and the elaboration of chains of cause and effect'** (Greenwood et al. 2002: 60). An important aspect of theorizing is the naming of new concepts and practices so that they might become part of the cognitive map of the field (Lawrence & Suddaby, 2006). Kitchener's study highlights the **narrative component** of theorizing (Bruner 1987) in which actors articulate the causal and consequently temporal relationships among institutional elements. He describes how a variety of actors engaged in storytelling in support of the adoption of mergers by healthcare organizations: 'the popular business press (e.g. the Wall Street Journal, Fortune, Business Week and Forbes) conveys tales of industrialists who merge organizations to achieve spectacular turnarounds.' (Kitchener, 2002).

Educating

The final instance of institutional work found that aimed at creating institutions involves **the education of actors in skills and knowledge necessary to support the new institution.** This was an important form of cognitive work because the creation of new institutions often involves the development of novel practices, as well as connecting those practices to control mechanisms. This form of cognitive work was evidenced in several studies, including Hargadon and Douglas' (2001) discussion of Edison's electric light, which demanded the development of significant new skills on the art of workers.

Similarly, the institutionalization of recycling programs in American universities demanded a **new set of skills and knowledge** on the part of a large population.
One key strategy to educate a large population of students and universities was to create **templates,** or frameworks, that provide actors with an outline for action (Lounsbury, 2001; Lawrence & Suddaby, 2006). Therefore, the three final forms of institutional work aimed at creating institutions focus primarily on the cognitive side of institutions – the beliefs, assumptions and frames that inform action by providing meaningful and understandable interaction patters to be followed.

Mimicry draws on existing patterns of action in order to articulate and legitimate new practices and structures, **theorizing** develops concepts and beliefs that can support new institutions, and **educating** provides actors with the knowledge necessary to engage in new practices or interact in new structures. Each form of institutional work supports the creating of new institutions by leveraging the costs that actors might bear if they seek to engage in new practices or develop new structures on their own; mimicry, theorizing, and educating provide actors with alternatives to the effort and risk associated with isolated innovation (Lawrence & Suddaby, 2006).

The **constructing of identities** as a type of institutional work, for example, is also often a **highly co-operative** endeavor since the actor whose identity is being constructed will often depend on others to sanction, formally or informally, that identity. Along with the social connections that co-operation requires, normative work is also facilitated by

discursive legitimacy (Hardy & Phillips,1998), a perceived 'right' to speak on a particular issue; this is in contrast to the authority and material resources that make possible rule-oriented institutional work.

From the review of the empirical literature, it seems that creating institutions through work that **changes categories of meaning** (i.e. mimicry, theorizing and educating) may involve **well-established actors** of the field, but at the same time hold the greatest potential for institutional entrepreneurs on the part of **relatively small, peripheral or isolated actors**. Less powerful actors are particularly associated with this type of work which involves associating new practices with existing institutions.

Mimicry can provide powerful means for new entrants into a domain to legitimate and institutionalize new practices rules and technologies employ as Edison's imitation of gas lighting.

Theorizing and educating, on the other hand, seem to be associated primarily with larger, central actors in the field – those actors with the resources and legitimacy to articulate cause and effect relations provide peripheral actors with templates for action and educate whatever publics are relevant to an institution (Lawrence & Suddaby, 2006).

4 Case Descriptions: Impact Investing in Brazil

4.1 Mapping the Impact Investing Industry in Brazil

To investigate the research question to what extent impact investment firms' identity determine specific types of institutional work and how this influences the role they play in the market, the setting of this research is placed within the impact investing market in Brazil. In order to give a broader understanding of the context of this market, the following will elaborate on Brazil's economy, the emergence of impact investing in Brazil, and the spectrum of actors currently involved in impact investing in Brazil.

4.1.1 The Economic Context

Like many other developing markets, Brazil is struggling with the challenges of a fast-growing population, high levels of income inequality, and the enormous task of building and sustaining infrastructure to address crucial social problems.

In fact, Brazil is one of the largest countries on earth, both by geographical area and by population. Today, Brazil has over 200 million citizens and is the 7th largest economy in the world (World Bank, 2015). The country's social sector has seen significant growth since the end of the last dictatorship (1965-1985) and access to basic health care and education services has greatly improved since the 1994's economic stabilization (IIPC, 2014).

The World Bank states that thanks to its success in combining economic growth with better opportunities for all, Brazil has turned into an important voice in the international development debate. From 2003 to 2013, Brazil experienced a decade of economic and social progress in which over 26 million Brazilians were lifted out of (extreme) poverty (World Bank, 2015). The income of the bottom 40% of the population grew on average 6.1 % (in real terms) between 2002 and 2012. In comparison to a 3.5% growth in income of the total population, this can be considered as an impressive progress. However, since 2013 signs of stagnation are observed within the reduction of poverty and inequality (World Bank, 2015). Overall, the GDP growth in Brazil has slowed down from 4.5% between 2006 and 2010 to 2.1% from 2011 to 2014, and only 0.1% in 2014. In addition, inflation remains at high levels of 6.4% by the end of 2014 (World Bank, 2015).

Although important progress has been achieved to reduce poverty and increase income distribution over the last decade, social inequality in Brazil remains one of the highest in the world. Brazil ranks among the 15 most unequal economies in the world (Brazil is rated 52.9 in the Gini Coefficient Index 2013) (World Bank, 2015). The richest 10% of Brazilians receive 42.7% of the nation's income, whereas the poorest 34% receive less than 1.2%. In general, the income of the population's majority population is very low, as 66% of families have an income of less than $R 2034 ($US 833) per month (IIPC, 2014; Plano CDE, 2014). Despite this significant inequality, philanthropy is limited as Brazil is ranked 105st in the CAF World Giving Index (CAF, 2015). Thus, social equality is of highest priority for Brazil's long-term development (ANDE, 2014).

Overall, Brazil is facing complex challenges. Nowadays, 80% of the population belongs to low-income class levels earning less than $US 9 per day (PNAD; IBGE, 2011). Social indicators show that, out of 13.3m children between the ages of 11 and 14 years, only 3.5m will continue to attend school. This equals a school dropout rate of 73,1%. In other words, only one out of five young persons will reach tertiary education (i.e. university or college) (ANDE, 2014). 75% of the population does not have private insurance and relies primarily on the public healthcare system, which is inefficiently managed, underfunded, and incapable of providing quality healthcare services. For example, waiting times for health exams can be as long as 8 months (Data SUS 2012). Furthermore, over 64% of the population does not have access to banking services (INEP, 2012).

In consequence, reducing inequalities in income, improving public-service delivery, as well as promoting the diversification of economies beyond primary-product exports are necessary to lead Brazil to the next level of social and economic development (ANDE, 2014). In this context, impact organizations and impact businesses have emerged all over the country throughout the past few years on the mission to contribute to finding new solutions and mobilizing new capital to address Brazil's social problems (IIPC, 2014).

4.1.2 The Emergence of Impact Investing in Brazil

Similar to many other country markets, the Brazilian impact investing market has generated growing interest over the past years. Greatest focus has been on the potential to use private capital to create the necessary infrastructure and opportunities for greater social impact. All over Brazil, a growing number of impact investors and enterprises that focus their work on expanding the pool of available capital and service organizations providing social benefit to underserved communities has emerged (IIPC, 2014).

Impact investing has the potential to address Brazil's persistent social issues by supporting market-based, scalable and measurable solutions that create social and environmental impact while generating positive financial returns (ANDE, 2014).

In Brazil, impact investing is still a nascent market with very limited information regarding its market size and trends. To deepen knowledge in this sector and create more awareness, the Aspen Network of Development Entrepreneurs (ANDE), LGT Venture Philanthropy, Quintessa Partners and the University of St. Gallen took action and conducted a study of the Brazilian impact investing market. This study is the first report that aims to present an analysis of the impact investing market in Brazil (ANDE 2014).

The study identified 20 national and international impact investors being active in Brazil in 2014. It was found that between 2012 and 2013, the number of new investors has tripled (ANDE, 2014). Overall, this large-scale study reveals interesting insights about the emergence of the young impact investing sector which will be presented in the following.

4.1.3 The Brazilian Landscape

The following will provide an overview over the Brazilian market and its actors, the early development of the impact investing market, as well as characteristics of the industry today, and its estimated market size.

Overview of the Brazilian market and its actors

The impact investing sector in Brazil developed gradually with only seven main players being active in the market from 2003 and 2009. These initial seven players are:

Oikocredit, a microfinace fund headquartered in the Netherlands, was the first impact fund manager to enter the Brazilian Market in 2003. In 2005, The **International Finance Corporation (IFC)** started to initiate investments into social business through its Inclusive Business Models Group. Following in 2007, the **Inter-American Development Bank (IDB)** launched its program 'Opportunities for the Majority' which focuses on businesses for the bottom of the pyramid. In 2008, **SITAWI Finance for Good** and **MOV Investimentos**, started exploring impact-investing opportunities as the first homegrown Brazilian investors. Only in 2009, **Vox Capital** launched the first national closed-end impact investing fund followed by **LGT Venture Philanthropy**, which is an international foundation and impact investor based in Switzerland (ANDE, 2014).

Early development of the nascent market

Since 2012, the market has developed rapidly with a significant number of new investors entering the Brazilian market. To be more specific, the number of new investors tripled from the above mentioned 7 players to 20 between 2012 and 2013. Despite this significant growth, the industry is still nascent with an average track record of active investments of two-to-three years or less (ANDE, 2014).

In 2014, almost as many local Brazilian investors as international ones were active in the market. To be more precise, 11 out of 20 investors were of international origin, whereas the remaining 9 were homegrown Brazilian investors. This results in a relatively equal division between international and national impact investors operating within the Brazilian market (ANDE, 2014).

The large interest of international impact investors and foundations in Brazil shows the evident attractiveness of this market in specific in relation to other emerging markets. Furthermore, 6 out those 11 international players run offices with local representatives in Brazil. This highlights the importance that these players account to local representation. Figure 1 shows the evolution of impact investors in Brazil, displaying both national and international investors (ANDE, 2014).

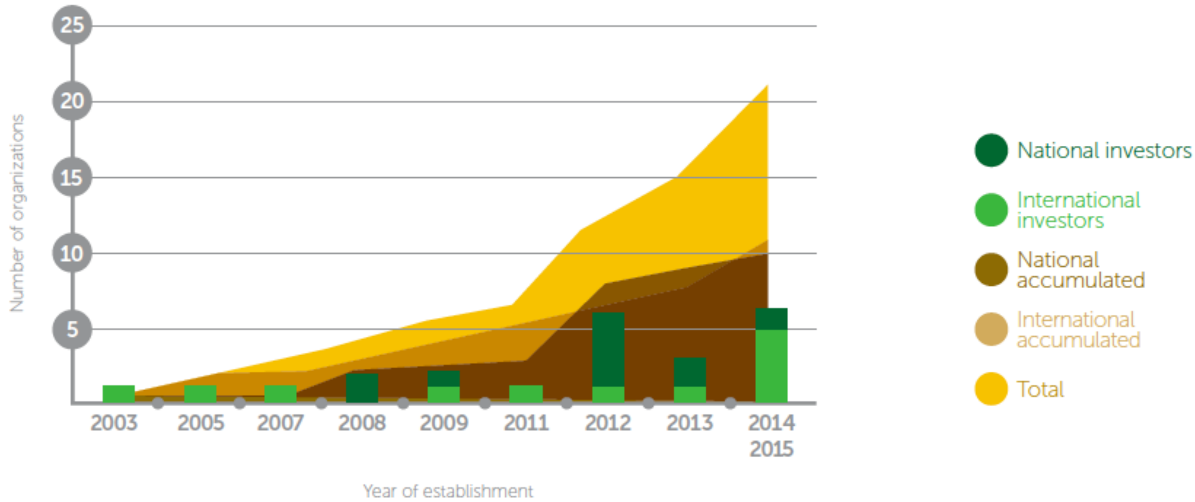


Figure 10: Year of Establishment of Investors in Brazil. (ANDE 2014)

Characteristics of the impact investing industry in Brazil today

The findings of ANDE's market study reveal new insights about the rapidly evolving but still nascent impact investing industry in Brazil. The continuous development of the impact investing space has been facilitated by an enormous increase of the number of investors as well as committed capital, greater coordination among players, and a more professional work force being active in the industry today (ANDE, 2014).

Estimated market size

Despite this rapid development the Brazilian impact investing market remains modest compared to other capital markets such as the traditional PE/VC industry that currently manages approximately US $ 44 BN in assets (ANDE, 2014). In contrast, the size of the national impact investing market (based on account of 8 out of 9 national investors) is estimated to be US $ 177 m in assets under management (AUM). This estimation excludes assets managed by international investors. As discussed, 97% of these resources are managed by national closed-end funds (ANDE, 2014).

4.1.4 The Spectrum of Actors in Brazil

The rapid pace of the industry's development is also illustrated by the historic overview of the number of investors engaged in impact investing in Brazil as shown in Figure XY. Only 7 players were active in the landscape in 2009. By the end of 2013, the number of investors has more than tripled with 20 investors actively looking for impact investing opportunities in Brazil. I

Investors include international players such as Bamboo Finance and Omidyar Networks, multilateral organizations becoming active in the field (i.e. IFC, IDB) and an increasing number of High Net Worth Individuals active in philanthropy who showed interest in combining social mission with financial returns (ANDE, 2014).

Heterogeneous set of actors

One of the most important aspects that ANDE's market study detected is the extremely diverse set of players. Players constituting the heterogeneous landscape of impact investors in Brazil include business accelerators doing financial investments, family offices, open-ended or evergreen investors, closed-end funds, foundations, multilateral development banks and philanthropic investment funds.

The specific characteristics of these players vary widely in terms of, for example, investment focus and assets under management (AUM). Thus, each investor shows a different experience. As most national investors were established recently, there is a disparity between national and international investors in terms of track record.

Considering the Brazilian impact investing ecosystem as a whole, this diversity can be regarded positive as it brings different types of expertise to the table. This fact has been praised by some of ANDE's interviewees as one of the reasons why the Brazilian impact investing industry has become a more collaborative industry for co-investment opportunities (ANDE, 2014).

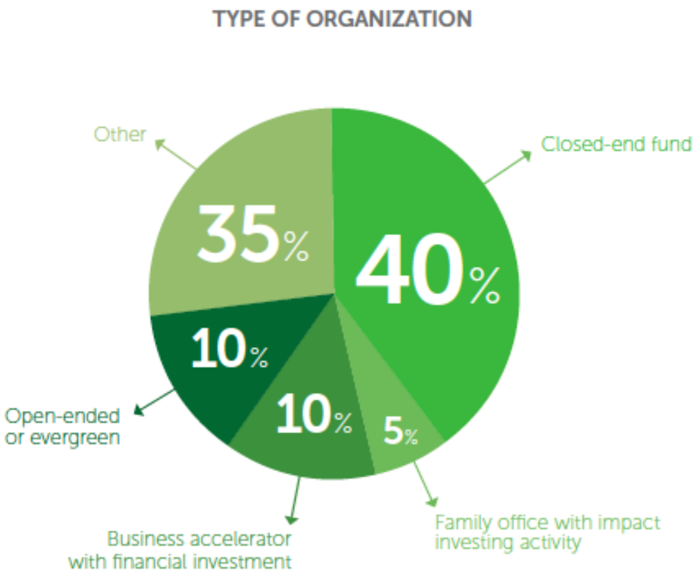


Figure 9: Year of Establishment of Investors in Brazil. (ANDE 2014)

4.2 Cases Studied in this Research

For the purpose of this research, four companies have been selected to provide the data for the analysis. These four companies are Sitawi, Vox Capital, LGT Venture Philanthropy and IFC International Finance Corporation. The following will provide relevant background information to each of the companies. They will then be further analyzed in the following chapter.

Sitawi 'Finance for Good' is a Brazilian non-profit organization founded by Leonardo Letelier in 2008. Sitwai supports high impact social projects and has pioneered social lending and donor advised funds in Brazil. More specifically, Sitawi develops and operates innovative financial solutions that create social and environmental impact. They furthermore advise financial institutions and companies on social and environmental issues related to strategy, risk management and investment analysis.

Sitawi is headquartered in Rio de Janeiro, from where it serves domestic and international investors, clients and donors interested in the Brazilian market (Website Sitawi).

Vox Capital is a Brazilian social venture capital fund that invests in high potential companies that positively impact the Brazilian society through solutions for the country's health, education and financial services issues (Website Vox). The company was founded in 2009 and is structured as a venture capital fund and thus pursues venture capital types of investments. Moreover, Vox Capital provides capital, strategic advice and management support to influence the financial results and social impact of these high-potential businesses serving low-income clients (https://iris.thegiin.org/users/profile/vox-capital).

LGT Venture Philanthropy is a globally active impact investor founded in 2007 at the behest of H.S.H. Prince Max of Liechtenstein, and aims to improve quality of life for less advantaged people. The company does this by supporting organizations with outstanding social and environmental impact through financing, know-how and access to networks. LGT Venture Philanthropy thereby provides support through investments and donations, as well as through the transfer of knowledge and access to networks, to social organizations and businesses that offer solutions to social or environmental problems (Website LGT).

The **International Finance Corporation** (IFC) is the largest global development institution focused exclusively on the private sector in developing countries. The company offers investment, advisory, and asset management services to encourage private sector development in developing countries around the world. Since entering Brazil in 1956, the IFC has placed substantial investments in the country's private sector (Website IFC).

5 Findings

The findings presented in this chapter are organized in three major sections. Namely, the sections presented below are (1) identities, (2) institutional work, and (3) roles. Moreover, there is a causal relation between these three categories, that affect the impact investors' actions within the impact investing space in Brazil. These categories reflect previous research by Harji and Jackson (2012) and Trelstad, Simon and Barmeier (2010), who also established that investors differ in the nature of their motivations, assets, risk and return expectations, and social impact objectives. The following model has been developed in order to visualize how the impact investors' identities and institutional work lead to their specific role and the accompanied deals.

ACTOR IDENTITY & WORK ROLE = DEAL

Sitawi	Impact First – Philanthropic	Brazil	Changing Normative Associations Educating	Giver & Educator	Small social enterprises
Vox	Social + Finance – Venture Capital	Brazil	Constructing Networks – co-invest (actor ° actor)	Change Agent – market building	High-potential start-ups BOP
LGT	Social + Finance – Venture Philanthrophy	International	Mimicry Theorizing	Unicorn Hunter, Medical Specialist	Potential to scale fast High core specialization
IFC	Finance First – Development goals – Private sector approach	International	Constructing identities	Anchor Investor	Mature investment (into funds $$$) Private Sector

5.1 Identities

The model can be seen as a causal relation from left to right, representing that the identity has an influence on the institutional work, and moreover on the role and deal. The following will therefore begin by presenting each of the impact investors' identities.

5.1.1 Sitawi Finance for Good

Sitawi 'Finance for Good' is a non-profit organization that develops financial solutions for the social sector in Brazil by pioneering social loan and donor advised funds. Leonadro Letelier is the founder, CEO and 'mind' behind Sitawi.

Philosophical approach: Leonardo decided to start the organization by providing social loans at below-market rates to social enterprises, which are recycled into other loans to create even more impact as a first product of Sitawi. The money that comes into Sitawi are practically donations and no financial returns are paid to the investors. "We don't even call them investors, we call them donors" Leonardo explains. Thus, Leonardo doesn't understand Sitawi as an 'impact investor', as his organization is a non-profit organization aiming to maximize social impact over financial returns. This philosophical approach follows a philanthropic investment approach, whereby the social impact is maximized and no financial returns are paid (Letelier, 2015).

Motivation: Sitawi's founder Leonardo was inspired to found his venture 'SITAWI Finance for Good' when he took the decision to quit his job at McKinsey to look for a 'higher purpose' in what he was doing. He states: "It was not that I didn't like business or finance. It was just that I needed a higher purpose or at least a purpose" (Letelier, 2015).

Risk and return expectations (Social Impact vs. Financial Return): No financial returns are paid to Sitawi's 'donors' as the money they give to Sitawi is a donation. As Leonardo states: "Once they have given the money to us and it is really a donation, we use our own criteria to make our investments, which gives us a much higher flexibility." Hence, when making decisions about whether to invest into a social business or not “it’s all about impact”, Leonardo states. “The financial return is a precondition: if they can repay the money with interest, it’s fine, it’s good enough. The financial return is not something we are maximizing – we are not looking to get rich on those deals” (Letelier, 2015). Overall, Leonardo praises this flexibility because “if you are not independent, it is very hard to do what you think is right rather than the person who is giving you money thinks is right” (Letelier, 2015).

Investment approach: Following a philanthropic investment approach, Sitawi developed a range of other products, which result in four different programs aiming to pursue Sitawi’s mission to ‘mobilize more capital, more types of capital to enhance its allocation to transform more lives’ (Website Sitawi). Overall, Sitawi’s vision is seeking “a world where capital is cheaper, abundant and patient for organizations and businesses that create positive social and environmental impact” (Website Sitawi).

These four programs constitute of (1) Social Finance (2) Sustainable Finance (3) Philanthropic Culture and (4) Business and Impact. Leonardo calls the ‘umbrella’ that combines all these programs and activities ‘Finance for Good’, since the overall vision is to maximize social impact. These programs will be explained in more detail later on.

Investment criteria: Sitawi’s investment criteria include three main components: social impact, the ability of the social business to repay, and the quality of the company to repay. One of the central questions Sitawi considers within the decision-making process of an investment is “how can we with our investment make sure that the business keeps a balance of impact and returnable business or running business as usual” (Letelier, 2015).

Social impact assessment: Leonardo criticizes that there is no global census on how to define and measure social impact. Thus, he takes a more pragmatic perspective on how to evaluate social impact: “What we definitely can do is to separate good from bad projects which is very easy. What we can also do is a little bit less easy but doable, is to separate good from great projects” (Letelier, 2015).

Based on the above, it can be said that Sitawi's identity can be categorized as an 'impact-first investor', pursuing to maximize social impact and not primarily striving for financial returns, thus following a philanthropic investment approach (Letelier, 2015).

5.1.2 Vox Capital

Vox Capital is a social venture capital fund that invests in high potential companies that positively impact the Brazilian society through solutions for the country's health, education and financial services issues (Website Vox).

Philosophical approach: Vox Capital's approach to impact investing is primarily characterized by its focus on social businesses that are serving the Brazilian low-income population with solutions that help to improve their lives. Most importantly, Vox aims to positively impact the lives of people who are living in urban poverty, which is the most prevalent form of poverty in Brazil and targets investments in health, education, housing and financial services.

Vox Capital is structured as a venture capital fund and thus pursues venture capital types of investments. Daniel Izzo, the CEO and co-founder, highlights that these types of investment are characterized by long-term results and relationships. He and his co-founders share the belief that "a company that really delivers social impact through its core business has a higher loyalty of consumers, a better brand image, a higher retention of professional, to the point that it is worth more than a traditional company" (Interview 2). Thus, Vox Capital's philosophical approach can be summed up by his concluding words: "The higher the social impact, the higher the possibility of good financial returns." (Izzo, 2015).

As Daniel explains, the philosophical approach an impact investing firm follows is highly important because "everything we talk about in impact investing right now circles around some kind of ideology because none has a specific track record to prove anything yet" (Izzo, 2015).

Risk and return expectations (Social Impact vs. Financial Return): Vox Capital's return expectations are reflected in Daniel's statement above: "The higher the social impact, the higher the possibility of good financial returns." (Izzo, 2015). Hence, Vox Capital aims to maximize the financial return a social business is able to deliver by primarily focusing on maximizing the social impact of its product and service.

Motivation: Daniel's motivation for establishing Vox Capital rooted in a deep crisis he felt when he was managing a large brand within Johnson & Johnson. He recognized that US$ 30 million of profits per year were sent back to shareholders living in the US. He states, "when I left the building after work you would see people, especially kids, who are living on the streets, and we were doing nothing to solve those problems, while generating these huge amounts of profits." Brazil's immense social inequality strikes Daniel forcefully: "In Brazil you have huge, huge differences right in your face. It's pretty much like one side of the street is Copenhagen but the other side if the street is Sub-Saharan Africa." Thus, he realized that "we should be doing business in a different way, if we want to really do something meaningful here in Brazil" (Izzo, 2015).

Therefore, it can be concluded that Vox Capital's identity is a social venture capital fund, which strives for an equal focus of social impact and financial return with a strong desire to change the way business is done in a meaningful manner.

5.1.3 LGT Venture Philanthropy

LGT Venture Philanthropy is a globally active impact investor based in Liechtenstein aiming to improve the quality of life of less advantaged people by supporting organizations with outstanding social and environmental impact through financing, know-how and access to networks (Website LGT).

Philosophical approach: LGT Venture Philanthropy was founded in 2007 by the princely family of Liechtenstein, which owns LGT, the largest family owned private bank in Europe with over 200 billion assets under management, and has a long tradition of investing in philanthropy. Prince Max looked into new ways of using donations in a more controlled and efficient way. While he was working as the CEO for J.P. Morgan in Germany, he followed a private equity approach while constructing LGT Venture Philanthropy. He later applied very similar due diligence processes and equity and debt structures to LGT Venture Philanthropy with the aim to scale and to create social impact. Overall, the foundation of LGT has lead Prince Max to believe that with "business models and their inherent efficiency more problems can be solved in the world than with the non-profit approach" as Juan Carlos, LGT's Investment Director in Brazil states (Moreno, 2015).

Motivation: Prince Max was inspired to establish LGT Venture Philanthropy as he realized that "the millions they used to donate didn't result in any tangible result around the impact", which let him to look into new ways of how to use donations in a more controlled and efficient way (Moreno, 2015).

Risk and return expectations (Social Impact vs. Financial Return): LGT Venture Philanthropy aims to invest in organizations that have an extraordinarily high potential of achieving outstanding financial returns by offering a solution to a severe social problem.

Investment criteria: LGT Venture Philanthropy invests in growth-stage social organizations to support these entrepreneurs in scaling their ventures. According to Juan Carlos, the key investment criteria is to determine whether the solution a social organization is offering is indeed solving a social problem. He justifies the importance of social impact with his personal observation that "there are many actors within the impact investing space who are forgetting that the impact is about soling a social problem and not just offering a product to the base-of-the-pyramid" (Moreno, 2015). In consequence, the value proposition of a social organization's product offering is of highest importance for LGT Venture Philanthropy, as well as, an investment with an expected financial sustainability and a highly qualified management team with experience in execution and operations.

The above shows that LGT Venture Philanthropy's identity is characterized by a focus on investing in high-potential organizations with outstanding social impact and prospect of exceptional financial returns in order to scale the business and its product and services to a large extent.

5.1.4 IFC International Finance Corporation

The IFC is the largest global development institution focused exclusively on the private sector in developing countries (Website IFC).

Philosophical approach: As Hector Gomez Ang, IFC's Country Manager in Brazil, states, being part of the World Bank Group, IFC has a mandate of the World Bank "to facilitate the ending of poverty through the development and support of the private sector" (Ang, 2015). Thus, the IFC overall strives to eliminate poverty and initiate economic growth. The IFC explicitly focuses its work and engagement on transaction where a private sector component is given. Indeed, IFC's first worldwide investment was made in Brazil in 1957. During the 1960s and 1970s IFC has been mostly working together with multinational companies that have their headquarters in developing countries and emerging markets as Brazil.

Motivation: Being part of the World Bank Group, IFC's capital is owned by 184 governments around the world who are shareholders of IFC. Thus, the IFC acts in the interest of these shareholders, who respectively represent the world's people. As reflected in IFC's mission "we work with the private sector in developing countries to help create opportunity for all" creating employment opportunities for the majority is its overall aim and motivation (Website IFC).

Risk and return expectations (Social Impact vs. Financial Return): Hector Gomez Ang initially states: "For us the search for financial return and development impact is one search only. They need to come together to go forward in any kind of transaction. Social impact and financial return come hand in hand."

Investment criteria: IFC establishes a strategy for every country, which reflects the challenges that the country is facing and determines in which sectors the IFC "can create impact and make a difference with our money and our know-how" (Ang, 2015). The four developmental challenges identified for Brazil are urbanization, competitiveness, sustainability and inclusion. IFC's investment thesis seeks profitable transactions that are financially sustainable and targets companies, which take advantage of Brazil's large-scale domestic market and Brazil's global competitive advantage. Thus, a sector-to-sector approach is developed for the sectors IFC identified as relevant, such as health, banking and education. "Because the type of investment that we call impact investment it is not necessarily mainstream, the amount of opportunities that we have that are investable for us is smaller than the entire set of opportunities that you have looking at it from a financial perspective. That is a fact" (Ang, 2015). Hector states though as the IFC is a self-sustainable triple-A rated financial institution: "Our financial sustainability is paramount. We start by looking at the financial sustainability and then we move to make sure it meets the social and environmental and development impact" (Ang, 2015).

As the above shows, IFC's identity is characterized by a focus on investments in the private sector that are financially sustainable. Thus, The IFC can be characterized as a 'financial-first' investor.

This section has presented the identities of Sitawi Finance For Good, Vox Capital, LGT Venture Philanthropy and IFC International Finance Corporation. Based on their philosophical approach, their motivations for impact investing, their risk and return expectations and their investment criteria, each of the actors form a unique identity.

5.2 Institutional Work

The above findings have established that each of the actors have distinct identities. The following section will present the findings related to the actors' institutional work.

5.2.1 Sitawi

The types of institutional work that are most prevalent in the case of Sitawi are educating and changing normative associations. Based on the definition of Lawrence & Suddaby (2006), educating provides "actors with the skills and knowledge necessary to engage in new practices or interact in new structures". Changing normative associations involves "re-making the connections between sets of practices and the moral and cultural foundations for those practices".

Education

Sitawi's work is highly educational. This can be seen in its four programs, through which Sitawi educates (1) social entrepreneurs in terms of how to improve their capacity to manage their own financial resources, (2) high-net individuals and major donors on how to place their money more directed at social impact, (3) society about 'giving' and (4) consults businesses on how to achieve greater social impact.

These four programs constitute of **(1) Social Finance (2) Sustainable Finance (3) Philanthropic Culture and (4) Business and Impact.** Within the (1) **Social Finance** program Sitawi manages the social and environmental loans for impact businesses and a philanthropic donor-advised fund for major donors. The (2) **Sustainable Finance** program offers mainly sector, theme or company-specific Environmental, Social and Governance (ESG) research and advisory services. As Leonardo states: "More traditional investors, as banks, asset managers and insurance companies need to go to mainstream markets to place their money. Not all the money can go into impact investing because it is not liquid enough, but one can integrate social, environmental and governance issues in the investment decision-making process. Still, it is trying to move money, even if it is more mainstream money, just a little bit to a more balanced view including social and environmental considerations and impact" (Letelier, 2015).

Within the (3) **Philanthropic Culture** program Sitawi supports initiatives to promote more efficient fundraising and giving practices and create campaigns to encourage giving and online fundraising. As Leonardo states the aim of this program is to "help initiatives to develop a more robust 'culture of giving' in Brazil" (Letelier, 2015). One example is the inception of 'Giving Tuesday' in Brazil. Sitawi decided to introduce the official 'Giving Tuesday' to Brazil, which is a global initiative that started in the USA and today takes places in over 70 countries worldwide dedicated to celebrate a 'global day of giving'. Sitawi created a website where people, companies and municipalities can register their initiatives on this particular Tuesday all aimed to create more awareness about giving among Brazil's people.

The (4) **Business and Impact** program provides consulting for companies and foundations on the interface between business and social and environmental impact.

For example, Sitawi partners with Google to support the finalists and winners of Google's Social Impact Challenge in Brazil. Google provides each winner with up to half a million Reais. However, Leonardo states, Google was not sure "if only giving the winners the money would create the impact they wanted". This is why Google hired Sitawi to consult these organizations by developing a more realistic implementation plan to increase the likelihood of success and impact (Letelier, 2015).

Changing Normative Assosiations

Sitawi's work is also about changing norms. Sitawi is trying to 'change minds' about the fundamental rationale of how investments are done. As Leonardo states impact investing aim to achieve a very high premise: "Now on the investing side, it's fun I mean, if you can save the world and can become rich at the same time – that's great that is an unbeatable value proposition. The only one with a better value proposition than that is the church that says you will be immortal." In reality, Leonardo is aiming to 'reintroduce' the rationale of the social (altruistic) objective of giving into making investments. "Now, there is a lot of things you can do with for-profit-money and social impact but there are also many things that you cannot and it's just not the case that we as a society say that only the things that we can monetize are the things that matter" (Letelier, 2015).

5.2.2 Vox Capital

The types of institutional work that are most prevalent in the case of Vox Capital are educating and constructing networks. While VOX pursues similar institutional workings as above in terms of education. They also have a strong focus on constructing networks. Lawrence & Suddaby (2006) define constructing networks as a form of institutional work, and "inter-organizational connections through which practices become normatively sanctioned and which form the relevant peer group with respect to compliance, monitoring and evaluation".

Education

VOX Capital's institutional workings are educational because the highly prioritize to support their portfolio companies in terms of managerial advice and practices. Vox does this by always taking a board seat in its portfolio companies and supports them in opening commercial leads, organizing governance and attracting professions (Izzo, 2015). This form of institutional work is also highlighted by Vox's intention to establish a close relationship with its investees. Daniel highlights that equity investments are equal a "long-term relationship", which means one is working together closely for about 7 to 8 years. "So you want to know them for quite a while before deciding whether to get married" (Izzo, 2015).

Constructing Networks

By pursuing co-investing opportunities, VOX Capital's institutional workings also include constructing networks. Vox co-invests with other impact investor, for example Bamboo Finance from Switzerland, and also with other "traditional" venture capital funds in Brazil who are not necessarily impact investors. First, the reason for pursuing co-investing opportunities in general is to bring additional added value to the management of the company by joining forces with other investors and “leveraging expertise from both funds” (Izzo, 2015). Second, pursuing co-investing opportunities especially with traditional venture capital funds serves the aim of promoting the concept of impact investing to eventually achieve that also more traditional investors will include social impact in their investment approach. As Daniel states, “they want to have us on board because we are impact investors. They see the importance of having someone who value the impact and the actual outcome that the product is delivering. Once the company is managed to generate more impact it can be more valuable to other investor as well. Once they start investing in impact funds, they are starting to ask traditional fund to also measure what kind of impact they are generating” (Izzo, 2015).

5.2.3 LGT Venture Philanthropy

LGT Venture Philanthropy engages into two types of institutional work: mimicry and theorizing. According to Lawrence & Suddaby (2006), mimicy “draws on existing patterns of action in order to articulate and legitimate new practices and structures”, whereas theorizing describes “the development and specification of abstract categories, and the elaboration of chains of cause and effect”.

Mimicry

When Juan Carlos started sourcing investment opportunities for LGT Venture Philanthropy in 2009, he states that the sector was “practically non-existent” and “social investing was practically new” (Moreno, 2015). Thus, Juan Carlos was mostly occupied with creating awareness, meeting actors and stakeholders like high-net worth individuals and other NGO’s to explain “what we do and how we do it. In the beginning it was a lot more about really speaking and creating this market than going out and investing” (Moreno, 2015). In consequence, Juan Carlos made use of mimicry explaining LGT Venture Philanthropy’s investment approach by drawing to the existing patterns of private equity, which are used to articulate and legitimate the new practice and structure of placing investments in social business.

Theorizing

While the business of LGT Venture Philanthropy's investee Dr. Consulta has grown rapidly, LGT Venture Philanthropy was able to witness much learning specific to the health care sector Dr. Consulta was going through. Internally, LGT Venture Philanthropy constantly tries to identify and document these learning. In order to further elaborate on these findings, a 'health care sector group' was created document the learning and eventually research causes and effects.

Consequently, Dr. Consulta's success gives LGT Venture Philanthropy the possibility to create an expertise and establish a specialization in health care. For example, the IT system Dr. Consulta has developed was practically unknown and is regarded as 'best practice' in Brazil today since it is disrupting the market in terms of how to systematize and implement IT systems in a health care company.

As Juan Carlos states, these learning also steam from many several experiences including making mistakes. LGT Venture Philanthropy has made an investment into a similar business model as Dr. Consulta located in Peru and called 'Port i Familia'. In this case, the executive director of the social organization has not been able tackle the challenges in the same way as Dr. Consulta due to a lack of know-how and execution and defining solutions to problems. In comparison, Juan Carlos emphasizes Dr. Consulta's management teams' qualifications by characterizing them as "extremely fast learners" who engage in speaking to other champions to identify the best solution to tackle a present issue (Moreno, 2015).

5.2.4 IFC International Finance Corporation

The IFC mostly engages in the institutional work of constructing identities while operating within the Brazilian impact investing space. Lawrence & Suddaby 2006 describes this form of institutional work as a work that "concentrate its attention on the relationship between an actor and the institutional field it functions".

Constructing identities

The IFC doesn't understand itself as an 'impact investor' but makes use of impact investing to indirectly reach a segment of investment targets in the market they would otherwise not be able to reach. In consequence, the IFC acts as an investor into other funds within the impact investing space and, thus, places investments in a whole new emerging fundraising industry to support their endeavors.

The selection and decision making process of why the IFC would invest into a specific funds follows three questions: First, does the fund help the IFC reach a segment it would otherwise not be able to reach? Second, what is the impact or the effect of having IFC as an investor in this fund? And third, what is the status of the fund industry in the given market? In general, Hector Ang describes that the IFC perceives itself as having "an anchor role as an investor" so that within the fundraising phase more international investors will be attracted.

In the mid-2000s the IFC made a series of investments into private equity funds at a time when private equity had only recently emerged in Brazil, and today has developed into an own asset class. In the following, IFC looked into investments into funds that operate in a given region as, for example, in a region where there was not much deal-flow before as the Amazon region. As a consequence, IFC committed their investment in the Amazon fund, which was created and is fundraising in the region today. Next, the IFC focused its attention to the newly emerging impact investing industry. As Hector states, "impact investment was not born as an asset class at that time in Brazil as a type of investment. So why don't we anchor the first large-scale impact investing fund so we can help develop the industry?"

The above has outlined, the type of institutional work each of the actors pursue. While Sitawi's institutional work focuses on educating and changing normative associations, Vox Capital's institutional work can be described as educating and constructing network. Moreover, LGT Venture Philanthropy engages in mimicry and theorizing through their work, whereas IFC mainly constructs identities.

5.3 Roles

The above has presented each of the investors' identities and institutional workings. Based on these, each actor also takes a specific role within the market. The following will now present the roles of each actor.

Sitawi – Giver & Educator

Sitawi's role can be as described as a 'giver & educator'. On the one hand, they provide social loans and strategic advice to social entrepreneurs. On the other hand, they also advise money from banks or large corporations. In addition, Sitawi engages in inspiring a philanthropic culture in Brazil by 'educating' the Brazilian society about 'giving'. Overall, Sitawi's aim can be described as reducing social inequalities by increasing the capital available especially for social businesses.

Vox Capital – Change Agent (Empowerment & Market building BoP)

Vox Capital's role can be associated with the one of a 'change agent'. Vox's vision is to "empower people and companies to create a more just a joyous world" (Website Vox). In consequence, Vox pursues this vision by "investing in high potential companies that positively impact the Brazilian society through solutions for the country's health, education and financial series issues" (Website Vox). Thus, Vox's role can be described as 'empowering' people to pursue and build their own dreams by investing into companies that are concerned with building the infrastructure within the crucial sectors of health, education and finance, to improve the lives of people living in urban poverty at the so called Bottom of the Pyramid (BoP).

LGT Venture Philanthropy – From Unicorn Hunter to Medical Specialist

LGT Venture Philanthropy's role with in the Brazilian impact investing market has evolved from being a 'unicorn hunter' to becoming a 'medical specialist'. In the world of business, a ‘unicorn’ is labeled a high-potential start-up which is expected to achieve high valuation at the stock market and are so to speak as difficult to find as a unicorn. This metaphor describes LGT Venture Philanthropy ‘hunt’ for an outstanding social business that fits their investment criteria. As LGT Venture Philanthropy finally ‘found’ their unicorn in Dr. Consults they established a close relationship with their investment company and use this business case to create an expertise in the health care sector, which resulted in a role as ‘medical specialist’.

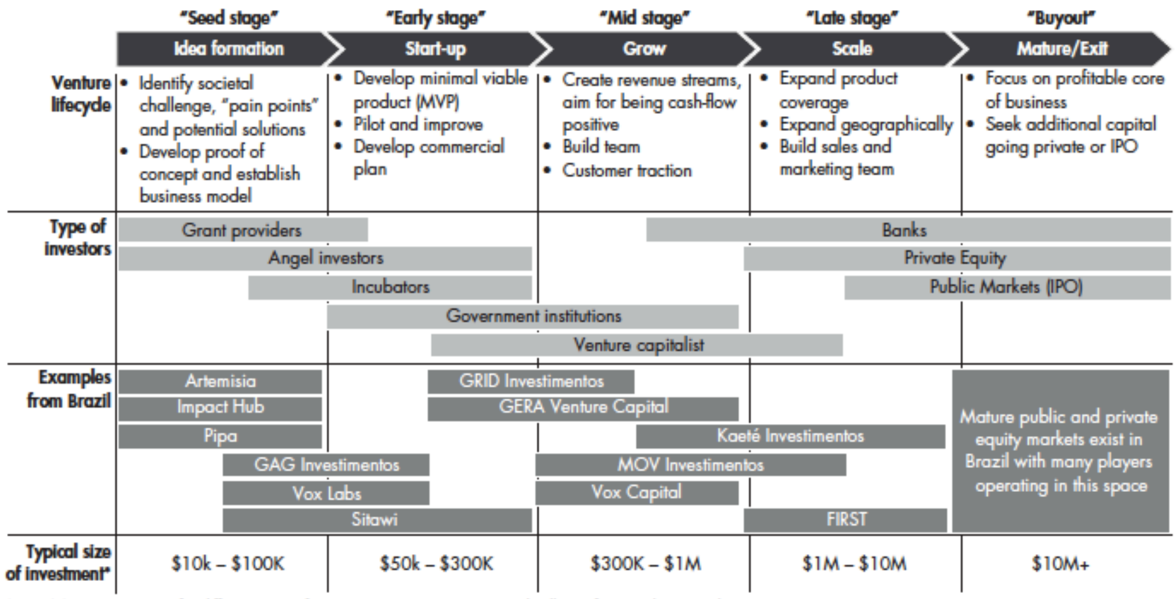
IFC International Finance Corporation – Anchor-Investor

As IFC’s primary goal is to invest into companies within the private sector, IFC makes use of impact investment to reach a segment of the market they would otherwise not be able to reach. Thus, IFC’s role within the newly emerging impact investing space can be regarded as one of an ‘anchor investor’.

As the majority of IFC’s transactions are direct investments Hector Ang Gomez describes IFC’s role as one of a ‘minority investor’ in either private or public companies. These investments also include investments in funds where the IFC is coming in as a ‘limited partner’ because “these funds are targeting a sector that we could otherwise not be able to reach” as Hector Ang states, for example, a region, a certain type of company or a certain stage of companies the IFC would not have direct access to (Ang, 2015).

To sum up, the above findings have presented the specific roles each of the impact investors take within the investing space in Brazil. Sitawi takes the role of ‘giver and educator’, while Vox Capital represents the ‘change agent’. LGT Venture Philanthropy, on the contrary, moved from being a ‘unicorn hunter’ to being a ‘medical specialist’. IFC takes the role as an ‘anchor investor’. Each of these roles are also closely tied to the type of deal that the actors pursue, which will be elaborated on in the following section.

5.4 Types of Deals



Note: (*) Investment sizes for different types of investors are approximations and will vary from market to market
Source: University of St. Gallen, INSPER, Bain analysis

The above model shows where each of the actors are placed within the impact investing industry, based on their role and deal size. Each of the actors operating within the Brazilian impact investing space engage in **distinct types of deal** they invest into which is closely related to the roles they play in the market. In addition, the distinct type of deal for each actor is characterized, on the one hand, by the size of these deals and type of social businesses they invest into (the stage of the social business venture lifecycle), and on the other hand, by the philosophical approach that underlies these investments as shown in the actors' identity.

Sitawi

Sitawi grants social loans to social enterprises mostly working at the seed or early stage of the venture life cycle where the social businesses are still in the stage of idea formation or start-up. This incubation stage of social businesses is characterized by having a very high risk and a very low return of investment. Thus, Sitawi's average ticket size it places in social businesses varies between US$ 50,000 US$ 200,000 (ANDE, 2014). Overall, Sitawi has directly placed over 5 million Brazilian Reais in businesses for social impact and advised over 1 trillion Brazilian Reais (Letelier, 2015).

Vox Capital

Vox Capital invests into high-potential start-ups at the early or mid-stage with a ticket size varying between US$ 2 to 5 million. Currently, Vox manages a fund of US$ 40 million that includes 10 equity investments and is in the process of raising a second fund of US$ 50 million. Managing a portfolio of different social businesses within these two funds corresponds to Vox's role of tackling urban poverty by "empowering people" and thus investing into various sectors supporting more than one specific type of sector.

LGT Venture Philanthropy

LGT Venture Philanthropy supports young, strongly growing organizations with high societal and environmental impact (Website LGT). In Brazil, LGT Venture Philanthropy has placed a single stage-investment in the promising specialty healthcare provider Dr. Consulta. Dr. Consulta is LGT Venture Philanthrophy's first and so far only investment in Brazil. Dr. Consulta provides high-quality, low cost ambulant clinics, which offer medical, care through secondary specialists to the low-income communities in Brazil. The founder of Dr. Consulta is a former private equity investment banker with strong operational skills.

LGT Venture Philanthropy has invested a total of $US 10 million into Dr. Consulta. This investment has been realized as a stage-investment of three tranches varying between $US 2 and 3 million to first test the performance of the business without increasing the risk before the next tranches have been placed after the initial investment in January 2014.

IFC International Finance Corporation

IFC invests in large-scale private-sector companies that take advantage of Brazil's competitive advantage and, most interestingly, in funds operating within the Brazilian impact investing space. The IFC invests over $US 2 billion per year in Brazil. These investments are a combination of equity investments, loans and syndicated loads and the majority is places as direct investment (Ang, 2015).

Hector Ang Gomez stats that the IFC's deal flow is very large and describes it as a combination of, on the one hand, unsolicited "opportunities that come our way or come knocking at our door", and on the other hand, a more strategic approach targeting a specific sector in which the IFC shows and strategic interest and "where we go out and are looking for business strategically", for example, education.

In summary, the above has shown each of the actors operating within the Brazilian impact investing space and the distinct types of deals they pursue. The above has furthermore shown the roles they play in the market are closely related to the types of deals they invest in. Moreover, the type of deal for each actor is characterized by the size of these deals and type of social businesses they invest into (the stage of the social business venture lifecycle), and on the other hand, by the philosophical approach that underlies these investments as shown in the actors' identity.

6 Discussion

This research examines four different impact investing firms in Brazil, and aims to uncover the specific identities, institutional work and roles of each of these. More particularly, the research investigated to what extent the impact investment firms' identity determines their specific types of institutional work and how this influences the role they play in the market.

These four actors are Sitawi, Vox Capital, LGT Venture Philanthropy and IFC International Finance Corporation. The qualitative research of this study thereby extends the understanding of the impact investing space in Brazil, by looking at the causal relationship between each of the actors' identities and the effect it has on their institutional work, their roles and thereby also the type of deals that they pursue when placing impact investments.

Specific identities, institutional working and roles have been identified for each actor, as can be seen in the model at the beginning of chapter five. Sitawi's identity can be described as impact first and philanthropic. They are a local organization from Brazil and the institutional work they pursue is about changing normative associations and educating. Sitawi's role thereby becomes one of a giver and educator, pursuing deal sizes of small social enterprises.

Vox Capital's identity combines social and financial goals and a venture capital approach. Just like Sitawi, Vox Capital is also a local 'homegrown' actor from Brazil. Their institutional work is constructing networks and co-investing. This further leads to their role as change agent and market building. The types of deals Vox pursues are high-potential startups, as well as the bottom of the pyramid.

Similar to Vox, LGT's identity is also about both social impact and financial returns, while taking an approach based on venture philanthropy. Unlike Sitawi and Vox, LGT is an international player that has entered the Brazilian market. Their work can be described as mimicry and theorizing, taking a role as a unicorn hunter at first, and a medical specialist later on. LGT pursues deals that have a potential to scale fast and a high core specialization.

Lastly, IFC has a finance first identity, focusing on development goals and the private sector. Like LGT, IFC is also an international player that has entered the Brazilian market and taken on institutional work of constructing identities. Their role can thereby be described as anchor investor. They mainly place mature investments in large funds and the private sector.

6.1 Theoretical Contribution

The following provides an overview over the theoretical contributions to impact investing and institutional literature. The following presents how the above findings add to the theoretical understanding of the causal relationship between the identity, work and role of the actors. Moreover, the findings have also uncovered certain role dynamics, particularly in the case of LGT Venture Philanthropy. These will be presented in the following section.

6.1.1 Causal Relations between identity, work and role

The causal relations between impact investor's identity, institutional work and specific role and type of deal will be explained in the following looking into the single cases.

Sitawi

As Sitawi holds the identity of an 'impact-first' investor it places investments into small-scale social entrepreneurs at the early stage of their business ventures in order to maximize the social impact without seeking financial returns. Thus, the social entrepreneurs are granted 'freedom' to execute their business strategies without having to worry about the financing. These types of investments are characterized by a high level of risk as these social entrepreneurs are at the incubation stage of their businesses and require a lot of knowledge, which Sitawi is able to provide. This directly links to Sitawi undertaking the institutional work of educating. In addition, Sitawi engages in changing normative associations to attract and advise even more money for social causes. Thus, it can be said that Sitawi's engagement in educating is directly reflected by the role they play in the market as 'giver & educator' and their type of deals.

Vox Capital

Vox Capital's identity of a social fund using venture capital investments to create both, social impact *and* financial return, with a strong desire to create change is directly reflected in their type of deal placing investments into high-potential start-ups targeting the Brazilian low-income communities. Vox undertakes the institutional work of educating to provide managerial advice to its portfolio companies to improve the performance of these businesses. In addition, Vox pursues co-investing opportunities with other impact investors or 'traditional' venture capital funds to leverage even more expertise that is valuable for management and further growth of the social businesses. Focusing on social businesses targeting Brazil's health, education and financial sector, Vox's role associated with a 'change agent' becomes obvious, as these investments aim to 'empower people' through social businesses that in return cerate opportunities for everyone and supports the marketplace building at the BoP.

IFC International Finance Corporation

As the IFC is the world's largest development institution it holds the identify of a 'financial-first' investors mainly investing in large private sector companies. However, in the case of the Brazilian impact investing space the IFC choses to strategically invest in other funds as a means of reaching a segment they would otherwise not be able to reach. Thus, in terms of institutional work, the IFC creates an image of itself by deliberately distinguishing itself from impact investor. In contrast, IFC's role is identified as acting like an 'anchor investor' who uses impact investments to support other funds within the space and thereby engages in the further development and growth of the whole industry. Lawrence & Suddaby (2006) state that the creation of new institutions requires institutional work on the part of a wide range of actors, both those with resources and skills to act as entrepreneurs and those whose role is supportive or facilitative of entrepreneur's endeavors. In line with this thinking, the impact investing funds have the resources and skills to act as entrepreneurs, whereas, the IFC's role is to supportive of their endeavors by investing in their funds and thereby attracting even more investors. Within the difficult circumstance of the Brazilian economy this role is highly relevant to foster growth even beyond impact investing.

6.1.2 The Role Dynamic of LGT

Especially interesting is the case of LGT Venture Philanthropy entering and starting to operate within the Brazilian impact investing space as it shows a transition of its role from a 'unicorn hunter' to a 'medical specialist' while keeping its identity.

First, LGT Venture Philanthropy's identity is characterized by its focus on investing in high-potential organizations with outstanding social impact and prospect of exceptional financial returns. Thus, LGT is seeking investments in social businesses that offer opportunities to scale fast – a unicorn.

LGT Venture Philanthropy entered the Brazilian market in 2009 by Juan Carlos starting to explore the field. Juan Carlos states, that at this point the sector was "practically non-existent" and "social investing was practically new". Thus, Juan Carlos was mostly occupied with creating awareness, meeting actors and stakeholders like high-net worth individuals and other NGO's to explain "what we do and how we do it" before being able to actually invest. In the beginning it was a lot more about really speaking and creating this market than going out and investing" (Moreno, 2015). In consequence, Juan Carlos made use of the institutional work of mimicry explaining LGT Venture Philanthropy's investment approach by drawing to the existing patterns of private equity, which are used to articulate and legitimate the new practice and structure of placing investments in social business.

Overall, Juan Carlos spent a lot of time screening the market and experimenting with different approaches of how to source investment opportunities. Finally, LGT Venture Philanthropy was participating in the Latin American Impact Investing Forum organized by New Ventures in Merida, Mexico. This is where Juan Carlos started to meet other professionals from the sector for the first time. Thus, he highly values the work of local accelerators as New Ventures in Mexico and Artemisia in Brazil in terms of creating awareness through these events. In fact, the first valuable contacts and investments opportunities where identified at the Forum in Merida.

However, according to Juan Carlos, the given investment opportunities were extremely early staged and it is LGT Venture Philanthropy's investment criteria to invest in more mature organizations. At this point, Juan Carlos explained that LGT Venture Philanthropy had to "adapt their expectations" and started looking into other opportunities of how to build the market which resulted into the launch of an own accelerator program called 'SWAP' in 2011 with the aim of fostering more investment opportunities. Still, the result of this program was disappointing, although it was important for LGT Venture Philanthropy to realize to what extent these social organizations were investment ready. As Juan Carlos states: "out of 200 organizations we screened, we identified only two opportunities and ended up investing into 1" (Moreno, 2015). LGT Venture Philanthropy had to learn that these early stage investments correspond to a higher risk and are much more time consuming that larger deals. As Juan Carlos states "we were much more operational and spent so much time with these accelerates that we ended up defocusing of our core activities." Being the only person working in Brazil at that time, Juan Carlos and the LGT Venture Philanthropy team were discussing this issue on their annual strategic meeting in the Swiss Alpes and decided to stop these engagements and to refocus on "what we really can do" (Moreno, 2015).

This challenge of struggling to find the 'perfect' deal to invest in – the unicorn –reflects LGT Venture Philanthropy's initial role of a being 'unicorn hunter'. Basically, Juan Carlos was looking for a type of deal e.g. an outstanding social business that fits their investment criteria, which he simply wasn't able to find. In terms of institutional work, mimicry provides a powerful means for new entrants into a domain to legitimate and institutionalize new practices according to Lawrence & Suddaby (2006). Although LGT Venture Philanthropy was undertaking this form of institutional work, finding the 'perfect' deal – catching the unicorn – was left to chance.

Eventually, the promising specialty healthcare provider Dr. Consulta turned out to be LGT Venture Philanthopy's 'unicorn'. As Juan Carlos describes, having had the opportunity to invest in a social business like Dr. Consulta was a "one-in-a-million-chance". Fitting LGT Venture Philanthropy's investment criteria, Dr. Consulta's management is extremely qualified and the board is very strong as it is based on the former AmBev executives, Brazil's largest and highly successful brewery, who are know for being extremely cost-oriented and process-driven. Thus, Juan Carlos states "as an investor this is the type of company where you can only watch and learn" (Moreno, 2015).

Having found the opportunity to invest in Dr. Consulta constitutes LGT Venture Philanthropy's transition in roles evolving from a 'unicorn hunter' to becoming a 'medical specialist'. Besides the dynamic in roles, this transition is characterized in terms of the institutional work undertaken by LGT Venture Philanthropy, which evolved correspondingly. While the business of Dr. Consulta has grown rapidly, LGT Venture Philanthropy was able to witness much learning specific to the health care sector Dr. Consulta was going through. Internally, LGT Venture Philanthropy constantly tries to identify and document these learning. In order to further elaborate on these findings, a 'health care sector group' was created document the learning and eventually research causes and effects.

Consequently, Dr. Consulta's success gives LGT Venture Philanthropy the possibility to create an expertise and establish a specialization in health care. For example, the IT system Dr. Consulta has developed was practically unknown and is regarded as 'best practice' in Brazil today since it is disrupting the market in terms of how to systematize and implement IT systems in a health care company.

This let LGT Venture Philanthropy to evolve in the role of a 'medial specialist' as they use the highly successful business case to create an expertise in the health care sector. LGT Venture Philanthropy achieves this by undertaking the institutional work of theorizing. As Lawrence & Suddaby (2006) state, theorizing is associated primarily with larger central actors in the field – those actors with the resources and legitimacy to articulate cause and effect relations to provide peripheral actors with templates for action. In fact, as Dr. Consulta evolved into a highly successful business, this created a very good business momentum. Juan Carlos reports that many companies are trying to "copy" the concept of Dr. Consulta due to its huge success. In addition, LGT Ventures Philanthropy has been approached by many other companies in different regions of Brazil who are trying to do the same as Dr. Consulta.

In conclusion, LGT Venture Philanthropy managed to change its role in the market evolving from a 'unicorn hunter' to a 'medical specialist' by keeping its identity and search for the 'perfect' deal fitting their investment criteria. The institutional work undertake by LGT Venture Philanthropy changed correspondingly from mimicry to theorizing. As Lawrence & Suddaby (2006) state, mimicry is associated as a powerful mean of new entrants whereas theorizing seems to be associated to larger, central players in the market. Thus, LGT Venture Philanthropy managed to move from being a new entrant within the Brazilian impact investing space not having any deal-flow, to having arrived as a central actor in the field.

Thus, the successful growth of Dr. Consulta during the past years has created very good business momentum for LGT Venture Philanthropy, especially in terms of the health care sector. Juan Carlos believes that once you have a highly preforming company in the portfolio constituting a 'success story', other high-potential social businesses are attracted by this success or as expressed in his words: "with this deal there are more and more other deals in health care coming to us" (Moreno, 2015).

6.2 Managerial and Societal Implications

The research reveals highly interesting insights in the world of impact investing which are of high importance both, from the managerial perspective for the actors and fund managers operating within the Brazilian market as well as the society as a whole.

6.2.1 Critical Challenges

Within the last ten years of impact investing in Brazil, the industry has witnessed a significant increase in the total number of actors operating within the space and the capital allocated to achieving both, social impact and financial return. Although the industry is moving from a stated of 'uncoordinated innovation' to 'marketplace building' the impact investing space is still in an early stage of development. As shown within this research a large variety of firms ranging widely in their size and investment approaches engage in impact investing opportunities. Overall, first success have been achieved but the majority of firms and funds operating within the space continue to face critical challenges.

Sourcing investment opportunities

The first obvious challenge facing every impact investing actor is how best to place investments into social ventures or entrepreneurs with a promising business idea offering social impact and financial returns. What is astonishing is that the supply of capital seems to be higher than the demand for capital. The case of LGT Venture Philanthropy highlighted how difficult and time consuming finding the 'perfect' deal corresponding to the actor's investment approach can be, especially for an international player entering a foreign market. Meanwhile, many actors end up competing for the same high-potential investment opportunities. While many promising business ideas tackling a social problem seem to be emerging all over the country in the light of its tremendous social challenges, these ideas reaming at an too early stage to be investment ready. This highlights the importance of the work of local accelerators to 'scale' these social business ideas in promising investment opportunities.

Difficulty in measuring social impact

While measuring financial performance is a very easy task, figuring out the social or environmental impact of an investment opportunity is much harder. First of all do investments address very many different causes and various sectors that are difficult to compare. Not all the value created by impact investments can easily be measured or compared: how does one for example measure an improvement that has been provided by a quality service? The metrics that do exist globally, as IRIS and GIRS focus on monitoring rather that identify the impact which is caused in the local communities. Thus, many impact investing firms leave it up to their own assessment of whether a social business will be able to achieve 'good' social impact or not.

6.2.1 Promising Opportunities

Despite the challenges highlighted above there is reason to believe that the impact investing space in Brazil will continue to grow within the years ahead as the industry has been able to attract large amounts of capital and especially talent.

Success Stories

First success stories have emerged within the Brazilian impact investing space, which have been witnessed throughout this research. Vox Capital is successful raising the second fund for another 12 portfolio companies aiming to improve the lives of people living in urban poverty while engaging to build market infrastructure within the sectors of health, education and financial services. LGT Venture Philanthropy's highly successful investee Dr. Consulta continues to grow and scale its business rapidly attracting even more deals especially within the health care sector.

Marketplace development

As the findings of this research suggest, the various actors within the impact investing space start to focus their activities into a specific type of deal and a specific type of company to develop an expertise in supporting these type of social businesses.

6.3 Limitations

The following provides an overview of the limitations of this study. The qualitative data obtained in this study is recognized to be time, place and context specific. Due to the geographical setting of the research, this study is limited to only include companies from Brazil. This means that the findings might be unique for this geographic setting and caution should be paid when transferring these to other geographical regions.

Additionally, the data collection conducted relied solely on interviews and secondary reports. Both methods have limits with regards to the insights they can uncover. When interviewing, the researcher plays a central role as an instrument in both the data collection, as well as the coding and interpretation of the data. The generated insights therefore underlie a danger of subjective interpretation from the researchers (Eisenhardt, 1989).

All in all, this research has obtained some fruitful preliminary insights, which serve as a good foundation for further research.

6.4 Further Research

The following will outline further research opportunities on the basis of this study. The findings offer preliminary insights into causal relation between the identities, works, role and specific deals of impact investors in Brazil, and further research could focus on making these findings more generalizable. This could be achieved by including a wider sampling in terms of geography, scope and method to see if similar results emerge.

7 Conclusion

Impact investing has the potential to address Brazil's social challenges by supporting market-based, scalable and measurable solutions that create social and environmental impact while generating positive financial returns. Impact investing has however not been well theorized. Based on a multiple case study, this research aims investigate impact investing in Brazil and to present a model that explains the relation between the impact investors' identities, their institutional work and their role.

The qualitative research of this study thereby extends the understanding of the impact investing space in Brazil, by looking at the causal relationship between each of the actors' identities and the effect it has on their institutional work, their roles and thereby also the type of deals that they pursue when placing impact investments. The four cases studied in this research are Sitawi, Vox Capital, LGT Venture Philanthropy and IFC International Finance Corporation. Specific identities, institutional working and roles have been identified for each actor. These have been visualized in a model, which showcases the interplay between identity, institutional work and role of the actors.

This model has a high relevance both in academia and in practice. Academically, this research advances the current understanding of the causal relationship between the identity, work and role of the actors. Moreover, the findings have also uncovered certain role dynamics, particularly in the case of LGT Venture Philanthropy. In addition, this study also has relevance for managerial and societal implications. Promising opportunities have been discussed which emerge within the impact investing space in Brazil. However, the findings of this research also suggest that there are still a great amount of challenges to overcome.

Overall, it can be said that in the light of increased interest in impact investing, due to the social, environmental and economic benefits it brings, understanding the identities, work and role is vital. By uncovering their interdependence, this research provides an important extension to understanding the dynamics of the impact investing space in Brazil.

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