

## **IMPACT INVESTING – PAPER DEVELOPMENT WORKSHOP** (PDW Submission 11022)

Friday, 9 Aug 2019 11:15 AM - 1:15 PM, Boston Marriott Copley Place Room: Nantucket

Workshop Conveners: Kai Hockerts (Copenhagen Business School),  
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***Submission of Papers is Open from: 10 June-15 July 2019***

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**Abstract:** Impact investing is a new empirical phenomenon that to date has not been researched widely. We realize that much of the work to date has been anecdotal and lacks theoretical framing. This PDW aims to collect work in progress papers and help authors craft their work into submittable contributions. Impact Investing describes a number of practices that aim for the most efficient capital allocation (the “investment” part) in relation to the achievement of certain social and environmental goals (the “impact” part). While the social impact goal is an essential part of impact investing, such practices can aim to achieve multiple objective functions including the generation of financial returns to investors. Multiple objective functions give rise to moral dilemmas and ethical tensions between stakeholders of the impact investing process.

We expect submissions to this PDW to address these dilemmas and tensions. We invite authors to elucidate the ethical decision process employed when impact investors decide to allocate capital to some investments (and not others). Contributions are expected to study contextual differences, they should also question when impact investing is subject to systematic bias (and with what consequences). This Paper Development Workshop offers scholars aiming to join the impact investing community a unique opportunity to receive developmental feedback on their current research ideas. The workshop will provide room for in-depth discussion with experienced researchers. These will read submitted work and offer guidance on where to submit their work and how to develop it further.

**PDW Focus.** This PDW aims to encourage increased research in the area of impact investing. We realize that much of the work to date has been anecdotal and lacks theoretical framing. Therefore, we want to provide a forum in which SIM authors planning to write about impact investing have the opportunity to discuss their work in progress with experts from the field as well as with editorial board members from relevant management journals. (The expert faculty committed to this PDW is represented on relevant journals such as the Journal of Business Ethics, Business & Society, Journal of World Business, Management Research, and the Journal of Social Entrepreneurship).

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**Submission Process.** The PDW is open to all interested faculty and PhD students. Pre-registration is required. Please send an application including your CV, a letter of motivation, and a draft version of your paper or an extended abstract. You should submit the material in one PDF file. Please select your last name as file name. Applications should be sent to [kho.msc@cbs.dk](mailto:kho.msc@cbs.dk) with Impact Investing PDW in the email subject. Submission of a paper or an extended abstract is a requirement for participating in the PDW. You are also expected to provide feedback to fellow faculty, which will be assigned to you prior to the PDW. Application to the PDW is open from the 10th June 2019 – 15 July 2019. Submission of an application does not automatically guarantee participation in the PDW since places are limited. Please note that submissions will be accepted on a first come first serve basis. So, the earlier you submit the better. You will be notified as fast as possible, (but by 15<sup>th</sup> July 2019 at the latest) whether your application has been accepted. *Note, that there is no cost for the PDW itself. However, in order to participate in the PDW you need to be registered for the Academy of Management Conference.*

## **State of Impact Investing Literature**

The Rockefeller Foundation, envisages impact investing to “offer a bridge between traditional philanthropy, which incubates innovation and mobilizes attention to exciting solutions, and the private-sector capital markets that ultimately hold the wealth required to advance these solutions” (Bugg-Levine & Goldstein, 2009: 32). In addition to philanthropists, social and environmental non-profit organizations and individuals have gained interest in this ethically driven capitalistic approach to foster a social market economy.

The term quickly led to the launch of numerous impact investing funds that purported to combine financial return generation with social impact (Mudaliar et al., 2016). The vehicles supported by impact investing include hybrid startup organizations aiming to achieve systematic social change (Farber et al., 2015; Hockerts, 2015; Mair, Mayer, & Lutz, 2015) as well as private investments in public and non-profit collaborations (Edmiston & Nicholls, 2017; Jackson, 2013; Schaltegger et al., 2018a).

Impact investing research has grown out of socially responsible investing studies (Avetisyan & Hockerts, 2017; Galema, Plantinga, & Scholtens, 2008; Hockerts & Moir, 2004; Peylo & Schaltegger, 2014; Sparkes & Cowton, 2004), as well as research on related strategies such as venture philanthropy (Mair & Hehenberger, 2014). Early publications on impact investing have been anecdotal case studies (Ormiston et al., 2015; Silby, 2011), practitioner handbooks (Best & Harji, 2013; Emerson & Smalling, 2015), or texts promoting the virtue of impact investing (Brest & Born, 2013; Cheney et al., 2012; Emerson, 2003). Recent work has begun to provide empirical data about the size of the field and the type of investments (Buckland et al., 2013; Saltuk et al., 2011), as well as definitional clarity (Cahill, 2010; Höchstädter & Scheck, 2015).

More specific research covers areas such as how to measure social or environmental impact (Hehenberger & Harling, 2018; Millar & Hall, 2012; Nicholls et al., 2009) and how to scale impact investing (Ebrahim & Rangan, 2014; Thornley & Dailey, 2010). Other authors have studied what role specific asset classes play for impact investing such as social impact bonds (Cooper et al., 2016; McHugh et al., 2013) and equity investment (Brown, 2006; Rajan et al., 2014). Yet other publications have evaluated the sources of impact investing such as crowdfunding (Lehner & Nicholls, 2014) or pension funds (Wood et al., 2013).

A large part of this extant literature has been either descriptive or managerial in nature. For this reason, we see a need for compelling business ethical analysis, hypothesizing explanations for what is observed drawing on rich qualitative data, and testing these hypotheses through rigorous empirical work. Impact investing has become an important trend that has effectively attracted capital streams for philanthropic, sustainability and for-profit reasons. Without well founded critical reflection we run the risk that these capital streams fail to achieve the stated goals of social impact and financial returns.

As impact investing flourishes, it has real world impact on business ethics practices, public policy, development aid, philanthropic foundations, and the behavior of investors. The proposed PDW aims to attract submissions studying the ethical consequences of impact investing, both direct and indirect. It will help evaluate the effectiveness of different impact investing practices (e.g. Social Impact Bonds, Impact-oriented Crowdfunding Platform) and help decision makers evaluate in which conditions impact investing is best applied and where the practice might have to be rethought. For example, there may be an ethical dilemma if the requirement to measure social impact forces impact investors to allocate resources to social enterprises whose results can be monetized, potentially bypassing more innovative, long-term solutions.

### **Possible Research Questions to be Covered by Submissions**

In particular we anticipate contributions to explore the role different stakeholders play in the impact investing process. A key question here is how impact investing explicitly or implicitly privileges certain decision makers over others and to raise the ethical implications of such patterns.

### **In elaborating on this guiding question, we invite scholars to investigate the following topics:**

- What roles do different stakeholders in the impact investing process play?
  - o In particular what types of investors can be differentiated and what are the ethical decision making processes underlying their engagement? How do they justify their legitimacy?

- What types of impact investing funds can be identified and how do they differ in organizational structure, capabilities, and governance?
  - How do the organizations and projects targeted by impact investing differ and why do they select to engage in impact investing rather than other financing alternatives?
  - Are the ultimate beneficiaries aware of the presence of impact investors and how do they assess the legitimacy of impact investing?
- How do different impact investing practices deal with the ethical tensions resulting from the multiple objective functions pursued?
- How do impact investors formulate their explicit and implicit objective functions?
  - What ethical tensions can be observed and how do impact investing funds purport to manage these internally?
  - How do these tensions manifest themselves between the different stakeholders (investors, fund managers, investees, and beneficiaries) and how are these addressed?
- What are the ethical implications of impact investing, both direct and indirect?
- Do impact investing funds achieve their stated goals? What are the ethical consequences of missing out on some or all of the intended targets?
  - How do impact investing funds select their investees? What are the ethical implications of the deal screening and selection?
  - What is the overall effectiveness of impact investing and how could it be improved?
  - How does the emergence of impact investing affect the overall allocation of capital? In particular has impact investing lead to crowding out effects?

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