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WITH HEARTS & MINDS

EXPLORING THE IMPACT INVESTING MARKETPLACE
AND RELATED STRATEGISING

BY
MORTEN PENTHIN SVENDSEN

DISSERTATION SUBMITTED 2021

AALBORG UNIVERSITY
DENMARK

WITH HEARTS & MINDS

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by

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AALBORG UNIVERSITY
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***Til** minde om min far.*
Jeg ved at du ville have været stolt af mig
– på din helt egen måde.

Jeg ville ønske at jeg kunne have delt denne oplevelse med dig.

ENGLISH SUMMARY

Purpose: This study aims to explore the characteristics behind an emerging impact investing marketplace in Denmark. This will be combined with examining related organisational strategising within an institutional context of Danish development policy and strategy.

Motivation(s): As an industrial PhD project, the research builds on a collaboration between four supporting project partners, the World Wildlife Fund – Denmark, Danish Red Cross, Access2innovation and Aalborg University, with the aim to shedding light on the opportunities in impact investing, related strategies, and the drivers behind investing for impact. The study has explored and supported project partners' impact investing-related strategising, through the research period from 2018 to 2021. Here project partners' motivations guide the research aims to explore the emergence of impact investing in Denmark at an *institutional level*. This is combined with understanding project partners responses and related strategising, within the context of Danish development at an *organisational level*.

Conceptual framework and research design: Impact investing is often referred to as an investment strategy with the *intent* to *contribute* to *measurable* social and environmental *real-world outcomes*, alongside a financial return. Overall, interest and activity around impact investing in Denmark have increased significantly in recent years. Despite the enthusiasm, the emergence and characteristics of the impact investing marketplace, combined with actors' interpretations, motives and adoption of strategies, remain largely unexamined. To explore how impact investing is structured in Denmark and explore project partners related strategising, this study presents a conceptual framework combining *institutional theory* and *strategy as practice theory*. The framework becomes a lens to explore Danish-based actors' interpretations, motives, and practice of impact investing, which is combined with project partners' responses and strategising at an organisational level.

Soft system methodology is applied as a research design to operationalise the conceptual framework, and combined with mixed methods to collect and interpret the primary data from *120 semi-structured* interviews with Danish-based actors and project partners.

Findings: The study provides research on the emerging characteristics of impact investing in Denmark and individual actors related strategising. It examines the *enabling role of public actors in the institutional context of Danish development*. Findings show how public actors can (i) leverage financial investment with blended value, (ii) create incentives to (re)shape arrangements and (iii) promote legitimacy in investing for development. However, public actors could face tensions and trade-offs when promoting blended value that caters to institutional capital needs, while balancing investment logic and development objectives.

The findings also provide empirical evidence on *Danish financial actors' interpretations, motives, and practice with impact investing.* The study derived the segmentation of financial actors by categorising them according to their interpretations of impact investing and understandings of *investing with impact*. The segmentation shows how financial actors interpret and adopt different strategies depending on their organisational characteristics and institutional ends-means.

On the one hand, one segment of actors (referred to as Type A actors, primarily consisting of asset owners and few managers) emphasises *value-alignment* (i.e., views impact investing as an extension of values) and/or *impact-generating* (i.e., aiming to generate or accelerate new projects or impacts) to bring about value-creation. The low prevalence of investment logic makes some actors open to new investment management practices, where institutional ends (values, motives, goals) govern their *means* (resources, practices, and investments) when adopting impact investing.

On the other hand, a larger segment of financial actors (referred to as Type B and C actors, primarily consisting of asset managers and few owners) upholds moderate or high prevalence of investment logic. These actors adapt impact-aligned strategies by ensuring investments address broad social or environmental areas, where impact is complimentary to risk-return considerations. Similarly, actors have motives towards *investing with impact,* yet interpretation or adoption builds on experience from sustainable investing strategies or traditional investment practice.

Furthermore, more complex institutional patterns are identified than currently recognised by impact investing literature. Here, marketplace segmentation is discussed to better understand actors' approaches to *investing with impact* through their ends-means, motives, and practices. This is combined with discussing a re-

conceptualisation of impact investing, from having one uniform definition to instead building a typology for how actors can *invest with impact* and address real-world issues.

The study shares insight into *project partners' motives, responses, and interactions shaping strategy-making at an organisational level*. The study follows the World Wildlife Fund – Denmark strategy-making on bankable nature-based solutions, Danish Red Cross commitment to innovative finance, and Access2innovation initiatives on impact financing. Findings are based on project partners strategy-making within impact investing related areas and underpin the emerging challenges when project partners seek to strategise or adopt a new practice outside core institutional means. This can, in some cases, lead to tensions between embedded practice and other strategic intentions. The findings from three different project partners describe the dynamic and continuous strategising as organisations seek to navigate an emerging field and engage in a new practice outside their traditional operations.

The study showcases how actors can craft strategies and pathways to engage in related areas to impact investing through practice-driven learning to overcome organisational tensions or adopt a new practice.

Contributions: In summary, the research provides empirical evidence on the emergence and development of impact investing in Denmark. By doing so, this study provides a segmentation of the marketplace to convene actors around shared motives to *invest with impact* and share insights into diverse pathways to engage in new practices.

DANSK RESUME

Formål: Dette studie har til hensigt at undersøge forholdene for et begyndende impact investeringsmarked i Danmark. Dette er kombineret med en undersøgelse af relateret organisatorisk strategisering inden for konteksten af dansk udviklingspolitik- og strategi.

Motivation: Med baggrund i et erhvervs-ph.d. projekt bygger forskningen på et samarbejde mellem fire projektpartnere, WWF - Verdensnaturfonden, Dansk Røde Kors, Access2innovation og Aalborg Universitet med det formål at belyse mulighederne indenfor impact-investeringer, relaterede strategier og principperne ved at investere med impact. Studiet har undersøgt og bidraget til projektpartners strategiarbejde gennem forskningsperioden fra 2018 til 2021. Projekt partnernes motivationen har guidet målet om at kortlægge impact investeringsmarkedet i Danmark på et *institutionelt niveau*. Kombineret med en forståelse af projektpartners respons og relateret strategisering i en kontekst af dansk udviklingspolitik på et *organisatorisk niveau*.

Begrebsmæssige ramme og **forskningsdesign**: Impact investeringer refereres ofte til en investeringsstrategi som bygger på en *intention* om at *bidrage* til *målbare* sociale og miljømæssige *outcomes*, sammen med et finansielt afkast. Indenfor de seneste år har der været en stigende interesse og markedsaktivitet omkring impact-investeringer. På trods af øget interesse, så er området fortsat underbelyst med begrænset indsigt i hvordan markedet udvikler sig og danske aktørs forståelse, motiver og praksis ved impact investeringer. For at undersøge, hvordan impact investeringsmarkedet er organiseret i Danmark og belyse projektpartnernes relateret strategisering, så anvender studiet en begrebsramme der kombinerer *institutionel- og strategy as practice teori*. Begrebsrammen bliver brugt til at udforske danske aktørers tilgang til impact investeringer. Kombineret med projektpartneres relateret strategisering på organisations niveau.

Studiet anvender *soft system methodology* som forskningsdesign til at operationalisere den begrebsmæssige ramme, kombineret med mixed methods til at indsamle og fortolke primære data fra *120 semistrukturerede interviews* med danske aktører og projektpartnere.

Resultater: Studiet er det første i Danmark som bidrager med karakterisering af impact investeringer og forskellige aktørers relaterede strategiarbejde. Hertil ser studiet nærmere på *offentlige aktørs rolle i den institutionelle kontekst for dansk udviklingspolitik*. Studiet viser hvordan offentlige aktører kan (i) promovere investeringer med *blended value* egenskaber, (ii) skabe incitamenter til at ændre institutionelle arrangementer og (iii) fremme legitimitet for investeringer målrettet udviklingsarbejde. I arbejdet med blended value, så kan offentlige aktører imidlertid stå over for institutionelle spændinger og kompromiser, når de ønsker at fremme blended value, der både imødekomme institutionelle investorer, investeringslogik og udviklingsmål.

Derudover, så bidrager studiet med en omfattende dokumentation af *danske finansielle aktørers fortolkninger, motiver og praktisering med impact investeringer*. Hertil laver studiet en segmentering af danske finansielle aktører ved at kategorisere dem efter deres fortolkninger af impact investeringer og forståelse af at *investere med et impact*. Denne segmentering påviser hvordan finansielle aktører fortolker og anlægger forskellige strategier afhængigt af deres organisatoriske karakteristika og institutionelle formål og/eller ressourcer.

Studiet viser hvordan et segment af aktører (omtalt som Type A-aktører, primært bestående af asset owners og enkelte kapitalforvaltere) anser impact investeringer som en forlængelse af deres værdier (*value-alignment*) og/eller mulighed for at generere ny impact (*impact-generating*). En mindre tilstedeværelse af investeringslogik hos denne gruppe af aktører gør dem mere åbne overfor ny investeringspraksis, hvor deres institutionelle formål (værdier, motiver, mål) har indflydelse på institutionelle ressourcer (praksis og investeringer) når de vælger en impact investeringsstrategi.

Dog viser studiet også hvordan et større segment af finansielle aktører (omtalt som Type B og C-aktører, primært bestående af kapitalforvaltere og enkelte asset owners) udviser en moderat til høj tilstedeværelse af investeringslogik. Disse aktører tilpasser impact investeringer i overensstemmelse med finansielle hensyn (risiko-afkast) og sigter mere ensrettet med brede sociale eller miljømæssige områder (impact-alignment). Selvom aktørerne udviser motiver om at *investere med impact*, så bygger deres fortolkninger eller praktisering på tidligere erfaringer fra f.eks. bæredygtige investeringsstrategier eller traditionel investeringspraksis.

Studiet påviser mere komplekse institutionelle mønstre, end hvad er anerkendt af lignende litteratur på impact investeringer. Samtidigt diskuterer studiet en

markedssegmentering ift. aktørers formål, ressourcer, motiver og praksis for bedre at kunne forstå tilgange til impact investeringer. Studiet inddrager også en diskussion om en re-konceptualisering af impact investering, fra at have en ensartet definition til i stedet at opbygge en typologi som kan fremme finansielle aktører forståelse af, hvad det vil sige at *investere med impact*.

Ligeledes bidrager studiet også med en indsigt i de *motiver, tilgange og interaktioner som har indflydelse på projektpartnernes strategiarbejde på et organisatorisk niveau.* Studiet følger WWF – Verdensnaturfonden strategiarbejde med bankable projekter indenfor naturbevarelse, Dansk Røde Kors engagement med innovativ finansiering og Access2innovation initiativer indenfor impact finansiering. Studiet adresserer organiseringsudfordringer i projektpartneres arbejde med strategiudvikling eller igangsætte ny praksis udenfor institutionelle ressourcer. I visse tilfælde kan strategiarbejdet medføre organisatoriske spændinger mellem den aktuelle arbejdsgang og igangsættelsen af ny praksis. Under arbejdet med tre forskellige projektpartnere påviser studiet den dynamiske og løbende strategisering som forekommer når organisationer søger at navigere i et umodent institutionelt felt og engagere sig i en ny praksis uden for deres aktuelle arbejdsgange.

Studiet viser hvordan aktører kan udforme strategier og engagere sig i impact investeringer, **samt hvordan strategiarbejdet styres vha.** 'learning by doing'-tilgange, hvor opbygget erfaringer og fælles læring medvirker til at overkomme organisatoriske spændinger eller påbegynde en ny praksis.

Bidrag: Overordnet, så bidrager studiet med dokumentation omkring markedsudviklingen af impact investeringer i Danmark. Dette opnås ved en omfattende segmentering af markedet for at give indsigt i aktørs motiver for at investere med impact og indblik i strategiarbejdet for at opbygge ny praksis på området.

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Til mange de medarbejdere i WWF, Dansk Røde Kors og sekretariatet i Access2innovation skal også lyde en stor tak for have bidraget til projektet. Det har været en stor hjælp at kunne trække på jeres ekspertise.

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ABBREVIATIONS

A2I	Access2innovation
AUM	Assets under management
BNS	Bankable Nature-based solutions
DFIs	Development finance institutions
DMDP	Danida Market Development Partnerships
DRC	Danish Red Cross
ESG	Environmental, social & governance
EU	European Union
GIFT	Global Innovative Financing Team
GIIN	Global Impact Investing Network
HNWI	High net worth individuals
IFC	International Finance Corporation
IFRC	International Federation of Red Cross and Red Crescent Societies
IFSC	Innovative Finance and Systems Change Team
OECD	Organisation for Economic Co-operation and Development
P4G	Partnering for Green Growth and the Global Goals 2030
SDGs	Sustainable Development Goals
SI	Sustainable investing
SSM	Soft system methodology
UNPRI	Principles for Responsible Investment
WWF-DK	World Wildlife Fund Denmark

*"**Impact investment** is emerging as a new unifying force in dealing with social issues, driving innovation and prevention to improve lives. It harnesses the forces of entrepreneurship, innovation and capital and the power of markets to do good. One might with justification say that it brings the invisible **heart of markets** to guide their invisible hand."*

Sir Ronald Cohen, Social Impact Investment Taskforce, G8
(SIIT, 2014a pp. 2)

CHAPTER 1 - INTRODUCTION

The impact investing marketplace, and related organisational strategising, are emphasised by literature as potential solutions to leverage financial investments **and 'move the needle'** to finance the Sustainable Development Goals (SDGs) – particularly in *developing economies*[1] (IFC, 2019; WEF, 2019; Roundy et al., 2017; SIIT, 2014b). Here Lauesen (2017) and Oleksiak et al. (2015) argue that while the practice of investment management that constitute the impact investing marketplace has existed for decades, the emergence of the impact 'label' is more recent. Like other emerging marketplaces, impact investing combines a fair amount of hype with real-world success, which has led to market enthusiasm (Martin, 2017). However, the characteristics underpinning the marketplace (i.e., the facilitative *conditions* and *arrangements*), combined with actors' interpretations and adoption of impact investing strategies, remain largely unexplored and under institutionalised (Roundy, 2019; Findlay & Moran, 2018; Calderini et al., 2018 Michelucci, 2017).

Overall, this study aims to investigate and provide empirical evidence on the characteristics of the *impact investing marketplace* in Denmark and project partners: The World Wildlife Fund – Denmark (WWF-DK), Danish Red Cross (DRC) and Access2innovation (a2i) *impact investing-related strategising* within the institutional context of development strategy- and policy[2]. The motivations behind this study and project partners are elaborated in the following section.

Accordingly, impact investing receives increasing academic and practitioner notice (IFC, 2021; Agrawal & Hockerts, 2019; Draggers & Nicholls, 2016). However, there has been no academic studies on the marketplace in Denmark or domestic actors' strategising. This study contributes to an emergent field of interest by having a dual research aim, relating to:

---

[1] *Key terms are highlighted in italics and with definitions given in the Glossary.*

[2] *This study follows impact investing-related strategy-making by **WWF-DK** on **bankable nature-based solutions** (i.e., supporting viable projects creating positive environmental and financial returns). **DRC** commitment to **innovative finance** for humanitarian action (i.e., using financial capital and risk transfer to support humanitarian aims). Combined with **a2i** initiatives on **impact financing** (i.e., seeking to leverage financial capital) to support market-based solutions that contribute to real-world outcomes in developing economies.*

- **Research aims 1**: Take an *institutional-level* view to characterise the Danish impact investing marketplace, its actors and related trends within the institutional context of Danish development.
- **Research aims 2**: Extend an *organisational-level* view to investigate how project partners initiate impact investing-related strategising within the institutional context of Danish development.

Given the research aims, this study has a limited focus on Denmark, impact investing and emphasises project partners strategising and practices[3]. As will be expanded and motivated in the following sections, this study utilises a conceptual framework of *institutional theory* and *strategy-as-practice*, combined with *soft system methodology* to investigate impact investing in a Danish context. Through its conceptual framework, this study presents a novel view of the institutional arrangements and conditions shaping the emergence of an impact investing marketplace, combined with individual actors' organisational responses and strategy-making required in order to participate. By observing impact investing at both the institutional- and organisational levels (and forces between them), this study contributes with insights into the emergence and features of impact investing. Before narrowing in on impact investing in the Danish context, the following aims to provide background for project partners and study motivations. Here Chapter 1 is separated into the following sections:

- **Section 1.1.** The section explains this study, and project partners' motivations and interlinkage to the research aims
- **Section 1.2 to Section 1.3**. The sections provide a global- and Danish context and background to this study
- **Section 1.4.** The section gives an overview of the conceptual framework used in this study
- **Section 1.5** The section outlines the research questions and structure of the study.

---

[3] *The limited focus comes at the expense of having a broader discussion of sustainable investing or the nature of traditional financial investments ability to create impact. With the focus on Denmark and impact investing, this study aims to shed light on an emerging field that has drawn increasing interest, as elaborated in the following sections.*

1.1. MOTIVATION

As an industrial PhD project, this study was launched in August 2018 as a collaboration between four supporting partners: WWF-DK, DRC, a2i and the Department of Planning at Aalborg University[4]. The motivation was based on the notion that impact investing could become an organisational strategy to leverage new capital and resources towards project partners strategic intentions, and activities within the context of Denmark development strategy and policy. The following sections provide further context to project partners' motivations, based on current trends within impact investing.

This study explored and contributed to impact investing-related strategies concerning its project partners' area of activity, such as WWF-DK practice with *bankable nature-based solutions*, DRC commitment to *innovative finance*, and a2i initiatives within *impact financing*. Here project partners were brought together to examine impact investing strategies and understand the trends in Denmark. Each project partner had a different organisational objective(s) yet shared ambitions to understand how opportunities in an emerging marketplace match their area of activity. This study uses its project partners motivations as the point of departure. Accordingly, the link between the research aims and project partners motivations is shown in Table 1:

Ambitions	Relations to aims	Outcome(s)
Understand the characteristics of the impact investing marketplace relevant to partners area of activity within the development context.	Relates to research aims 1.	• Provide each project partner with an understanding of how Danish public- and financial actors seek to promote or adopt impact investing. • Understand trends in the Danish development context
Exploring impact investing in relations to project partners' strategic intentions.	Relates to research aims 1 & 2.	• Understand how project partners view the marketplace and translate motivations into action.

[4] *Chapter 3 and Annex F give background to the research project and the relationship between the researcher and project partners.*

Support project partners in organising impact investing-related strategies.	Relates to research aims 2.	• Support project partners in conceptualising strategies. • Summarise lessons learned during the project period.

Table 1– Project partners motivations & relationship to the research aims

1.2. THE GLOBAL CONTEXT

The need to leverage investments to finance the SDGs is at the *hearts and minds* of development policy discussions (OECD, 2020; 2019). The shift from 'billions' of USD in official development assistance to 'trillions' of USD in financial investments is required if the projected 2,5 trillion USD SDG funding gap is to close in developing economies (UNCTAD, 2014). As of now, multilateral- and public finance has not been enough to close the gap, meaning financial investments and resources must play a central role (World Bank Group, 2017; 2015).

According to the International Finance Corporation (IFC) (2019), impact investing strategies can help fill the gap. Multilateral agencies are placing a growing emphasis on strengthening the impact investing marketplace, alongside other practices within the spectrum of *sustainable investing* (SI)[5] and *blended finance* in attempts to leverage financial investments for development outcomes (EU Commission, 2021; OECD, 2019; UNDP, 2018; SIIT, 2014b). As the 2030 SDGs agenda deadline inches closer, every investment strategy able to unlock new capital to sustainable development is needed (Martin, 2017). Consequently, this study focuses on impact investing strategies – often referred to as *investments made with the intent to contribute measurable positive social or environmental impact, alongside a financial return* (GIIN, 2019; IFC, 2019) – as it is one of the fastest-growing SI strategies globally (GISA, 2021). As will be clarified in Chapter 2, impact investing strategies are motivated by actors' intent and contribution to achieving *blended value*, with varying risk-return expectations (Brendstetter & Lehner, 2017). Unlike grant-based public- or philanthropy funding, impact investing strategies require a return of capital (IFC, 2019). Moreover, it involves investment strategies and mechanisms that allow financial actors to finance solutions targeting *real-world outcomes* (IFC, 2019; Oleksik et al., 2015; Höchstädter &

[5] *The spectrum of SI strategies is explored in Chapter 2 and Annex A.*

Scheck, 2014). Impact investing strategies are often recognised as well-positioned to finance market-based solutions addressing the SDGs – particularly in developing economies (IFC, 2019; OECD, 2019; SIIT, 2014b). As of now, more than two-thirds of the total 715 billion USD global impact investing market is placed in developing economies with financial actors being motivated by (GIIN, 2020a, 2019b):

- Contributing to real-world outcomes
- Accommodating to growing client demand
- Improve return exposure to growing SDG-related market opportunities
- Perceptions that impact investing does not come with a trade-off to financial returns.[6]

Overall, the global impact investing market has grown rapidly in recent years (IFC, 2021; 2020; 2019). According to GIIN annual surveys, the assets under management (AUM) has grown from merely 4 billion USD in 2011 to the current size nearly ten years later[7].

On the contrary, the IFC estimates a total of 2.3 trillion USD being managed with the intent to create a positive impact in 2020 (IFC, 2021). Similarly, the IFC forecast that the market appetite for impact investing could reach 26 trillion USD before 2030 (IFC, 2019). Despite its rapid and forecasted growth, the market remains a small niche (IFC, 2021; Calerini et al., 2018). However, using impact investing as a strategy to make financial markets work to address the SDGs and support development outcomes, are among the reasons why multilateral agencies support market growth (Mackeviciute et al., 2020; OECD, 2019). As argued by the Social Impact Investment Taskforce[8], "(…) *impact investing has the potential to be the force that empowers a range of capital flows in developing economies to work together to the greatest effect*" (SIIT, 2014b, p. 6). As a result, there is an opportunity for actors in the development context to adopt

[6] *According to the GIIN 2020 survey, financial actors are meeting or "exceeding both their impact expectations and their financial expectations (99% and 88%, respectively)" (pp. 7) within impact investing portfolios.*

[7] *In 2011, the GIIN conducted its first market survey of 52 investors committing 4 billion USD towards impact investing (GIIN, 2011). In 2020, the market survey included 294 investors and captured impact investing assets of 715 billion USD. Moreover, data shows the impact investing marketplace maturing in practice, diversity and complexity (GIIN, 2020a).*

[8] *The Social Impact Investment Taskforce was a collaboration between G8 countries in 2013 to catalyse market development of impact investing (Gov.uk, 2014).*

impact investing strategies and bring greater effectiveness to their strategic intentions (OECD, 2019).

As with other marketplaces, impact investing requires a complex system of interconnected forces and actors to sustain itself (Roundy, 2019; OECD, 2019). For example, financial actors need to adapt to impact investing principles of *blended value* to generate real-world- and financial outcomes, which might challenge established investment management practice and institutional arrangements (Emerson, 2018; Brandstetter & Lehner 2017; Castellas et al., 2018; Nicholls, 2010). As described by Clark et al. (2015), this requires actors to "*draw on multiple perspectives*" (p. 231) and merge two logics of actions to succeed. Hence, actors must institutionalise these principles and partake in a marketplace that embeds similar arrangements (Roundy, 2019; Glanzel & Scheuerle, 2016). Furthermore, for the marketplace to function, different actors – from the financial, private, civil and public sectors - need to collaborate and adopt organisational strategies to participate (Ormiston et al., 2015). Here actors need a supportive market infrastructure to learn, network and access investment deals (OECD, 2019; 2015; Schwartz et al., 2015).

This study narrows the scope to Denmark to better understand how market conditions, arrangements and organisational responses towards impact investing emerge and grow. As the following sub-section shows, the emerging Danish marketplace, and the institutional context of development, present an appropriate setting to explore the institutional-level characteristics. This is combined with understanding individual actors (such as project partners), organisational-level responses and strategising in order to participate.

Given the above, the following section outlines the Danish context and interlinkages to impact investing.

1.3. THE DANISH CONTEXT

Many Danish actors seem to have taken notice of impact investing and its blended value principles. Within the institutional context of Danish development policy and strategy, public actors (such as Danida) display apparent ambitions to leverage

investments with blended value features to support development outcomes (Danida, 2017). For example, Denmark's development strategy, the World2020 (running from 2017-2021), refers to the SDGs as an opportunity to leverage financial investments by promoting "(…) *investments that ensure substantial and measurable development impacts while at the same time generating a reasonable financial return*". Similar elements are seen in Denmark's development policy priorities, where development assistance should be able to catalyse "*investments, transfers of knowledge, technology, innovations and solutions*" (Regeringen, 2018)[9]. To bring greater efficiency, Wood et al. (2013) argues that public actors, such as Danida, can create incentives and initiatives to foster an impact investing marketplace that matches policy ambitions and societal challenges. A similar argument is described by Oleksiak et al. (2015), who states that "*a stronger market infrastructure still needs to be developed before impact investing can become a stable and sustainable alternative*" (pp. 245) as it brings together actors with no track record or traditions for working together (Clark et al., 2015). If Danida is to leverage investments with blended value features for development, the OECD (2019; 2015) believe public actors need to strengthen the market conditions allowing actors to network, co-invest and gain access to project financing that benefits blended value[10]. However, no empirical research has studied the Danish impact investing marketplace and public actors' role in enabling its emergence. Other scholars such as Agrawal & Hockets (2019), Roundy (2019), Daggers & Nicholls (2017) and Wood et al. (2013) have called for more research to better segment the impact investing marketplace and characterise how it develops in different contexts. Accordingly, this study uses Denmark and the development context to examine the role of public actors and policy initiatives that could influence the emergence of an impact investing marketplace, as will be elaborated further in Chapter 4.

Moreover, civil society organisations (referred to as civil actors) are also "*increasingly partnering with businesses and promoting sustainable private investments*" (Danida,

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[9] *Scholars such as Kjær (2020), Ravnborg (2019), Engberg-Pedersen (2020; 2018) and Engberg-Pedersen & Fejerskov (2018) have documented the paradigm shifts within Denmark development strategy- and policy relating to the expanding role of Danish financial- and private actors able to leverage new resources.*

[10] *Within the Danish development context, other actors are also increasingly playing a more central role. For example, the Danish private sector, which provides market-based solutions for SDG-related challenges in developing economies, could be investment opportunities for financial actors seeking blended value (Danida, 2019a). Here, Kjær (2020) and Engberg-Pedersen (2020) has documented how the Danish private sector has become a central point in Denmark's development strategy. As explored in Chapter 4, business and development are becoming two sides of the same coin (Danida, 2019a; 2017).*

2017, p 13). Here civil actors (e.g., WWF-DK and DRC) and non-profit intermediates (e.g., A2I) are motivated to explore the impact investing marketplace. As elaborated in Chapter 6, project partners are strategising in response to new opportunities to (i) invest for development outcomes, (ii) access alternative sources of financial capital, (iii) collaborate with new partners, and (iv) enhance their strategic intentions. Here **project partners' motivation follows** trends where civil actors and non-profit intermediates have "*begun to make a distinctive imprint on the impact investing ecosystem*" (Amplify 2018, p. 5), as these actors have begun expanding their practices to include related strategies to access new resources (Philips & Johnson, 2021). Nevertheless, "(…) *impact investing research, discussion, and literature has been noticeably voided of insights about the potential assets, capabilities, and networks that* [civil actors] *bring to impact investing*" (Amplify, 2018, p 4.). Similar conclusions are reached by Philips & Johnson (2021), Lyon & Owen (2019) and Birkholz (2015), who believe more research is needed to understand the role of civil- and intermediates within impact investing. Accordingly, this study sheds light on the organisational-level motivations and responses of project partners (as civil- and intermediate actors) to initiate impact investing-related strategising within the context of Danish development.

Beyond the institutional context of development, empirical data indicates that Danish financial actors display a growing interest in impact investing. For example, a market study from Danske Bank shows that impact investing in the Nordic countries have grown from 485 million DKK in 2010 to 12 billion DKK in 2021, with impact investing accounting for 30% of all venture investments today (Danske Bank, 2021). Other sector-based surveys show that 52% of Danish foundations have made impact investments, while 61% are expected to increase their activities (Fondenes Videnscenter, 2020). Similarly, an assessment of Nordic institutional investors showed that 90% of respondents were interested in impact investing (Kirstein, 2019). Moreover, respondents also view developing economies as a "*perfect fit when it comes to impact investing*" (Ibid. p 12). However, Danish financial actors also stress potential barriers to participate, related to (Fondenes Videnscenter, 2020; Kirstein, 2019):

- Actors lack awareness about impact investments strategies
- Lack of guidelines to define and measure real-world outcomes
- Few investable opportunities that match risk-return and impact expectations
- Lack of capacity to translate impact investing strategies to practice.

Given the above, it is hard to overstate the change in fund flows in impact investing activities. However, there is an apparent gap between financial actors claims (or interest) of impact investing and the lack of awareness to adopt strategies. Suppose financial actors express low awareness and capacity to translate impact investing into practice. In that case, it becomes challenging to validate the size and characteristics underpinning the market – or, more importantly, assess the value and real-world outcomes generated (Pucker, 2021). As more financial actors show interest in impact investing, Bengo et al. (2021), Castellas et al. (2018) and Daggers & Nicholls (2017) argue that research has failed to grasp how these actors interpret and adopt impact investing strategies. Accordingly, this study examines financial actors' interpretations, motives, and practice towards impact investing, combined with how financial actors' adoption of strategies could influence the characteristics of the marketplace, as will be elaborated further in Chapter 5.

Given the above, the following section aims to clarify the conceptual framework and relations to this study's research aims.

1.4. OVERVIEW OF THE CONCEPTUAL FRAMEWORK

As described in the previous section, no academic study has observed impact investing in Denmark at an institutional- and organisational level. From academia, calls for research have been made "*to explore how impact investing is structured and promoted at the ecosystem-level*" (Roundy, 2019 p. 14), combined with segmenting the fields and practices where it occurs (Bengo et al., 2021; Draggers & Nicholls, 2017).

Overall, market conditions, institutional arrangements and organisational responses that shape an impact investing marketplace emerge from the institutional- and organisational levels (Oleksiak et al., 2015). Here, scholars such as Michelucci (2017) and Roundy (2019) have called for research to understand how levels interconnect and influence each other. Consequently, this implies studying how actors' interpretations (e.g., motives, adoption, and practices of impact investing) influence their responses and shape the characteristics of the marketplace and context at the institutional level

(Roundy, 2019; Castellas et al., 2018; Oleksiak et al., 2015). In the same way, to consider how individual actors 'make strategy' in emerging fields and within different institutional contexts at the organisational level (Bengo et al., 2021, Birkholz, 2015).

Overall, impact investing research is not yet regarded as its own field of academic inquiry and is lagging considerably behind practitioners' studies (Nicholls & Draggers, 2017; Clarkin et al., 2016). As with initial fields of research, early literature tends to outline and conceptualise the field (Höchstädter & Scheck, 2014, Moore et al., 2012, Nicholls, 2010) and introduce challenges and opportunities for development (Brandstetter & Lehner, 2017; Addis, 2015; Schwartz et al., 2015, Oleksiak et al. 2015, Glänzel & Scheuerle, 2015; Ormiston et al., 2015; Wood et al, 2013, Nicholls, 2008). Other studies have focused on specific types of impact investments (Fraser et al., 2018; Spiess-Knafl, 2015). In the same way, scholars observe motivations, processes, and performance (Bursh et al., 2021, Bengo et al., 2021, Barber et al., 2021, Alijani & Karyotis., 2019, Viviani & Maruel, 2019, Findlay & Moran, 2018). While several studies have examined impact investing in a country setting (Glänzel & Scheuerle, 2016; Castellas et al., 2018; Spear et al., 2015).

In line with other academic studies, this study follows the stream of literature observing impact investing through the lens of institutional theory to appreciate the institutional- *arrangements, responses,* and *ends-means* to impact investing (Hannigan & Casasnovas, 2020; Lehner et al., 2019; Castellas et al., 2018; Bell, 2015, Nicholls, 2010). The use of institutional theory corresponds with research calls to explore impact investing characteristics and the conditions needed to sustain its blended value principles (Agrawal & Hockets 2019; Roundy, 2019; Findlay & Moran, 2018; Castellas et al., 2018). In proposing answers to these research calls, this study decomposes impact investing into institutional ends-means to explore how actors' interpretations of blended value influence the conditions where, e.g., investment and impact logics are complementary, compete or converge (Yan et al., 2019, Greenwood et al., 2011). Utilising logic in relation to actors institutional- ends (motivations, values, goals, or interests) and means (resources, practices or experience) can articulate actors' interpretations and adoption of impact investing strategies. To extend an organisational level view, this study draws on strategy-as-practice (SAP) in combination with institutional theory to detail individual actors' organisational responses and strategising (Whittington, 2017; Smets et al., 2017; 2015). Hence, SAP examines how project partners initiate impact investing-related strategies while navigating an emerging marketplace and

institutional context of Danish development. Accordingly, Chapter 2 clarifies how institutional theory and SAP informs this study.

Given the above, Table 2 describes how institutional theory and SAP informs the research aims. Moreover, Figure 1 illustrates the research aims of studying impact investing at an institutional- and organisational-level (and feedbacks between them). Here the figure is used to guide readers through the chapters and different sections of the analysis.

Research aims	Theories
Research aims 1: Take an institutional-level view to characterise the Danish impact investing marketplace, its actors, and related trends within the institutional context of Danish development.	▪ Institutional theory informs the process of inquiry in Chapters 4 to 5.
Research aims 2: Extend an *organisational-level* view to investigate how project partners initiate impact investing-related strategising within the institutional context of Danish development.	▪ Institutional theory and SAP merge to detail project partners strategising process in Chapter 6.

Table 2 – The connection between the study research aims and conceptual framework.

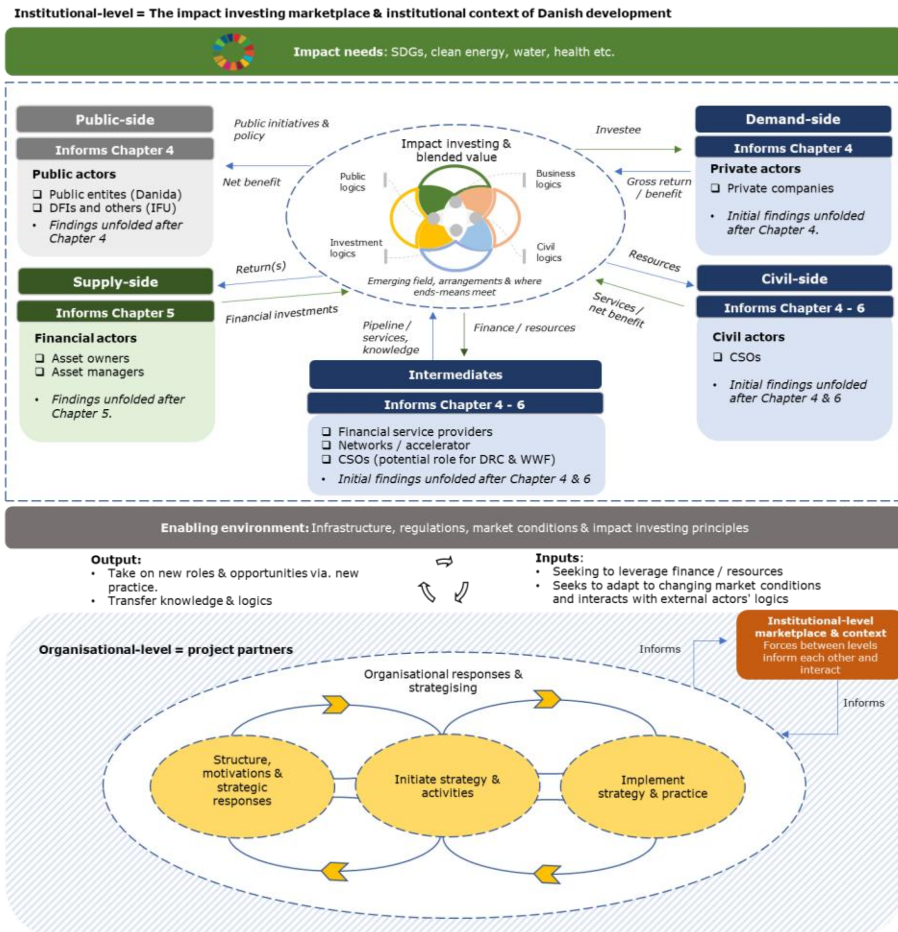

Figure 1 – Illustration of the institutional/organisational levels (and feedbacks between them).

1.5. RESEARCH QUESTIONS

To address the research aims, motivations and context outlined above. This study sets out to contemplate and answer the following research question (RQ).

What characterises the Danish impact investing marketplace and related strategising in the context of Denmark's development strategy and policy?

If one breaks down the RQ, *what* refers to this study's explorative- and interpretive approach, corresponding to the research design outlined in Chapter 3. While *characterises* relates to investigating the inherent conditions, actors and arrangements of impact investing in Denmark, as outlined in Chapter 5. In the same way, *strategising* entails studying project partners organisational responses, strategy-making and practices related to impact investing, as explored in Chapter 6. Accordingly, *the context* follows project partners motivations, area of activity and organisational objective(s) within the institutional context of Denmark's development, as described in Chapter 4.

This study uses a range of sub-questions to guide the RQ into more in-depth research areas. Here Table 3 provides an overview of sub-questions (SQs) applied:

SQ1	How do Danish actors interact and interpret the impact investing marketplace?
	▪ A conceptual framework for answering SQ1 is provided in Chapter 2. ▪ This study uses Chapter 4 to describe the institutional context and role of public actors in supporting activities, incentives or initiatives to build an investable impact market. Meanwhile, Chapter 5 investigates supply-side actors' interpretations of impact investing. ▪ Overall, the chapters address actors' interpretations, motives, and practices in the marketplace and the conditions influencing its characteristics. ▪ Moreover, SQ1 interlink with this study research aim 1 to characterise the Danish impact investing marketplace and its actors.
SQ2	How do project partners 'make strategy' and navigate within an emerging marketplace?
	▪ Using its conceptual framework, Chapter 6 explores how each project partner response to challenges and opportunities. ▪ As a result, Chapter 6 examine project partners organisational responses, strategising and interactions with the marketplace and institutional context. ▪ Moreover, SQ2 interlinkages with this study research aims and motivations to extend an *organisational-level* view to investigate how project partners initiate impact investing-related strategising.

Table 3 – Overview of sub-questions and purposes.

1.5.1. STRUCTURE

Chapter 1 summarises the research aims and motivations of this study. Moreover, it introduces the readers to the context of impact investing and the conceptual framework that underscore the RQ and SQs presented.

Chapter 2 expands on the conceptual framework and presents the formal theories, combined with the definitional boundaries and discussion of SI - and impact-investing strategies as derived from literature. The chapter also demonstrates the relationship between concepts and theories used to inform the analysis of research.

Chapter 3 present the research design of soft systems and methodology used to sample and analyse data. Moreover, the chapter provides a discussion of the researchers' subjectivity according to project partners.

Chapter 4 derives the first part of the analysis. The chapter documents trends linked to the institutional context of Danish development. The aim is to present how changes in the context interlink with the impact investing marketplace and influence project partners strategising.

Chapter 5 takes an institutional level view to examine different supply-side actors' motivations and adoption of practices. This study uses its conceptual framework to categorise actors ends-means towards impact investing strategies.

Chapter 6 moves to the organisational level to investigate project partners' strategising during the research inquiry. The study explores how changes and conditions at the institutional level shape project partners strategy-making, responses, and practice.

Chapter 7 discusses, and states findings made in this study. The chapter presents contributions made, combined with the scholarly and practical implications of the results.

Chapter 8 brings closure and summarises the results and future perspective of the work.

*"**Whereas some in traditional finance** will still argue any consideration of the social aspect of value creation is forcing an unnatural requirement upon economic analysis and business practice, or that removing certain companies from a portfolio will limit the investible universe to the point of restricting investment manager practice as well as investor financial returns. In points of fact, **what we are calling for is an opening of the investment aperture** in order to include greater consideration of a larger number of factors material to the maximisation of value within firm and society."*

Jed Emerson, The Purpose of Capital
(2018 pp. 107)

CHAPTER 2 - CONCEPTUAL FRAMEWORK

As a result of the previous chapter, this study's research aims is to explore the characteristics of the impact investing marketplace and project partners' strategising. Here, Chapter 2 aims to build the conceptual framework able to *interpret* actors at the institutional level and *intervene* in strategising activities at the organisational level. This includes discussing the findings and concepts of existing literature while clarifying the theories used. Here Chapter 2 is separated into the following sections:

- Section 2.1. begins with an introduction to sustainable investing (SI) by contextualising investment strategies deployed today. The aim is to illustrate SI strategies and how financial actors integrate social and environmental aspects.
- Section 2.2 narrows the scope to impact investing. The section expresses the extent of literature on impact investing definitions, its boundaries, and gaps. The aim is to demonstrate prior research on defining impact investing and its principles.
- Section 2.3 discusses the term 'impact' and real-world outcomes, as reviewed from literature. The aim provides a typology to understand investing for impact and how investment strategies and mechanisms can re-orient towards real-world outcomes.
- Section 2.4. presents a conceptual market framework. The section adopts the OECD Social Impact Investing Framework (2015) to explore actors in Denmark. The section aims to outline actors' attributes, roles and enabling environments as presented by literature.
- Section 2.5 to Section 2.6 describes the theories of institutional theory and strategy-as-practice. The section aims to discuss the key theoretical terms and their relations to this study's research aims.
- Section 2.7 summarises the terms, concepts, and takeaways that form this chapter's conceptual framework.

2.1. SUSTAINABLE INVESTING – THE STATE OF PLAY

Overall, SI is an umbrella term for a wide variety of investment strategies "*of taking environmental, social and governance (ESG) considerations into account when making investment decisions*" (EU Commission, 2021b). By considering ESG, financial actors recognise non-financial factors' relevance to managing assets (Matos, 2020). Here ESG is defined as a generic term used in financial markets to acknowledge the two-way relationship of (i) that ESG issues may impact the risk, return and volatility of assets. (ii) investments can positively or negatively impact society and the environment (Silvola & Landau, 2021; OECD, 2020b; Matos, 2020). Accordingly, financial actors use ESG to correctly 'price in' non-financial risk- and opportunities into their investment decisions and evaluate future performance (Koller & Nuttall, 2019). ESG can be used to various degrees, yet one of the main reasons for integration is to mitigate risk, enhance and consider sustainability factors (Bolton et al. 2021; OECD, 2021). Here actors increasingly recognise ESG integration for its results in; (Matos, 2020, Chatzitheodorou et al., 2019):

- Reducing reputation risks
- Lowering operations costs and increase efficiency
- Reducing risk for externalities and 'price' future ESG trends (e.g., harmful environmental risks arising from climate change)
- Improve adaptability to ESG megatrends.

Financial actors use ESG to systematically integrate non-financial aspects as material to their investments' value (Sherwood & Pollard, 2019; Porter et al., 2019). As a result, the concept of materiality is essential, as it links only those ESG factors likely to impact the operating performance of investments (Motas, 2020; Porter et al., 2019). When an ESG issue is material, it can potentially impact "*the financial, economic, reputational, and legal dimensions of a company, as well as on the system of internal and external stakeholders of that company*" (Calace, 2019 pp. 1). Ultimately, ESG needs to be broken down into material factors that either create value or harm the investment over time.

Given the above, it would seem reasonable to believe that ESG considerations have been a fixed part of investment management practice. However, ESG and SI strategies are still new for many financial actors (Daugaard, 2019; Lauesen, 2017).

2.1.1. SUSTAINABLE INVESTING - TRENDS

A range of investment strategies exists within the spectrum of SI, each with its own features, objectives and ESG considerations (Schoenmaker & Schramade, 2019). Consequently, there are no industry standards for SI strategies (Ibid.). As of now, the SI marketplace resembles an 'alphabet soup' of acronyms that considers different degrees of ESG features. Examples of SI strategies and features could be (but not limited to): ESG investing, ESG opportunities, best-in-class, socially responsible investing (SRI), responsible investing, ethical investing, social finance (SF), community-based investing, impact awareness, value-based investing, thematic investing or SDG investing (Cunha et al., 2021; Sherwood & Pollard, 2020). Some strategies aim to optimise performance using financially material ESG-factors, while others aim for real-world outcomes (Motas, 2020). For this reason, Schoenmarket & Schrademade (2019) and Bolton et al. (2021) describes common features of SI strategies related to fulfilling one, or more, of the following objectives:

- Conforming with global or societal norms or certain internal values defining their organisation and investment policy
- Acknowledging that ESG issues can influence the risk- and financial return profile of assets
- Believing investments can have positive real-world outcomes.
- Align investments with personal values
- Improve portfolio risk/return characteristics.

SI strategies acknowledge that sustainability is central to ensuring stable, well-governed social, environmental, and economic systems (Serafeim, 2020; Ioannou & Serafeim; 2019; Porter et al., 2019). Increasingly, studies indicate that SI strategies deliver better financial performance than more 'traditional' investments (Berg et al., 2021; Friede et al., 2015). As a result, financial actors are integrating SI strategies to

accommodate demands from clients and society.[11] For example, Blackrock – the world's largest asset manager – believes SI strategies as the new standard of investing, arguing that the "*sustainability-integrated portfolios can provide better risk-adjusted returns* (…)" (Blackrock, 2020).

Based on the above, the SI market has experienced rapid growth, as the idea that financial actors can target sustainability and achieve competitive financial returns is gaining ground in the financial sector (OECD, 2020b). Despite the market still evolving, the scale of capital inflow to SI strategies is substantial, as indicated by survey results summarised in Table 4.

Organisation	Report	Results
BlackRock (2020)	Global Sustainable Investing Survey,	The survey consisted of 425 respondents, with an estimated 25 trillion USD in AUM. The reports conclude that financial actors "*recognise the importance of sustainable investing to risk-adjusted returns*" (Blackrock, 2020 p. 3)
RBC Global Asset Management (2020)	Responsible Investment Survey	The survey consisted of asset managers 800 respondents worldwide. The report highlights that "*84% of respondents believe that ESG-integrated portfolios will perform as well or better than non-ESG-integrated investments*" (p. 3)
Schroders (2021)	Sustainable financing and investing survey 2020	The survey asked 2000 respondents. The survey findings that "*Only 9% of investors globally are unwilling to pursue environmental, social and governance (ESG) investing*" (p. 12)

Table 4 - SI surveys to illustrate market growth.

Despite the hype around SI strategies, the total size of the market remains difficult to assess. For example, the Global Sustainable Investment Alliance estimates that asset under management (AUM) in SI-strategies is globally at 35,3 trillion USD (GSIA, 2021), with a 15% increase from 2018 to 2020. In contrast, the UN Principles for Responsible Investment (UNPRI) estimate is even more ambitious, as the number of financial actors who have signed the SI principles grew from 63 in 2006 to over 4000 signatories in 2020 with a combined AUM of nearly 120 trillion USD (UNPRI, 2021).

[11] *A survey of 110 global asset managers conducted by the Morgan Stanley Institute for Sustainable Investing shows that 81% of respondents indicate that SI is driven by accommodating clients' expectations, with 95% of financial actor respondents either integrating or considering SI as part of their portfolio (2020).*

As a result, these massive figures underscore the volume of SI activity. However, the difference between figures also emphasises the lack of definitions facing the SI marketplace. The vast differences accentuate questions about, how financial actors categorise SI strategies. For example, a closer look at the SI marketplace stresses the abundance of terms, as one report found close to 80 separate names used to describe SI strategies (IIF, 2019).

Accordingly, the growth in the SI market attracts scholarly interest (Cuncha et al., 2021). For example, in 2015, Friede et al. (2015) published a study analysing more than 2000 academic studies on ESG- and financial performance. Conversely, the literature review illustrates the academic interest in the subject and highlights the many gaps within the field. Due to the volume of academic studies of SI strategies focusing on financial performance, scholars, such as Cuncha et al. (2021) and Dalgaurd (2019), have argued that the SI field remains fragmented and under-theorised. As of now, discussions around definitions and classification of SI investments still lead to confusion amongst academic- and financial actors (Ibid.).

Despite the lack of definitions, there are – somewhat - common features constituting SI strategies. As mentioned, most available definitions refer to investment management practices that consider some degree of ESG or sustainability (Schoenmaker & Schramde, 2019). These considerations are also recognised within the EU Sustainable Finance Action Plan and Sustainable Finance Disclosure Regulation (EU Lex, 2018[12], which define the practices as:

> *"(…) 'sustainable investment' means an investment in an economic activity that contributes to an environmental objective*" (EU Lex, 2019).

In combination, the EU Commission has also established a unified **'green'** taxonomy system for sustainable activities to help categorise investments that fall within these environmental objectives and sustainable development (EU Lex, 2020a). For example, the EU taxonomy establishes a list of environmentally sustainable activities, which financial actors need to target to market their SI strategy as sustainable (EU Lex, 2021)[13].

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[12] *The proposed EU Action Plan and Sustainable Finance Disclosure Regulation seeks to provide harmonised rules and transparency with regards to how financial actors integrate sustainability and considers ESG risks in their product offering (EU Commission, 2021).*

[13] *The EU Commission is exploring ways to expand the taxonomy system to also include social objectives (EU, 2020b).*

As a result, financial actors promoting ESG considerations must disclose how they incorporate sustainability aligned with the EU 'green' taxonomy. It follows EU's and Sustainable Finance Disclosure Regulation classifying sustainability relating to:

- Article 8 (or light green funds) where "*a financial product promotes, among other characteristics, environmental or social characteristics*" (EU Lex, 2019 pp. 11). This suggests that actors disclose how they consider ESG factors.
- Article 9 (or dark green funds) where "*a financial product has sustainable investment as its objective*" (Ibid., pp. 12). As a result, actors must disclose how investments pursue and meet sustainability objectives.

Consequently, the EU Commission seeks to establish harmonised rules for actors marketing SI strategies and promote shared standards for what can be categorised as sustainable to reorient capital towards real-world outcomes, as explored further in Section 2.3.

As mentioned, SI constitutes a broad field of investment strategies, with scholars such as Matos (2020), Schoenmarket & Schrademade (2019), and Sherwood & Pollard (2017) classifying strategies into somewhat similar categories related to:

- Exclusion-based investing
- Integration-based investing
- Engagement-based investing
- Impact-based investing (elaborated in Section 2.2).

Under each category, various sub-themes exist. Nevertheless, these four categories are the most cited under the SI umbrella. This study provides an in-depth description of each category in **Annex A** to provide the reader with more context.

In the same way, the following section narrows in to focus on the term impact investing as devised from literature. The context of SI strategies plays a part in understanding the definitional boundaries of impact investing and its place in the SI spectrum.

2.2. IMPACT INVESTING - DEFINITIONS

To provide an overview of impact investing definitions and boundaries to SI strategies. The following section reviews the current knowledge base, including gaps to outline the principles in impact investing. The section gives a conceptual overview to interpret the Danish marketplace and project partners, related strategising.

The definitional boundary of impact investing has been discussed in academia and amongst practitioners (Höckstädter & Scheck, 2014). Scholars argue that impact investing could lose legitimacy if the marketplace fails to embed a shared definition and interpretation of the principles that underscore investing with impact (Findlay & Moran, 2018; Brendsetter & Lehner, 2017). As of now, definitional confusion seems persistent amongst practitioners. For example, a survey of 300 HWNI from 41 countries found that "*85% believe that there is a lack of common understanding and segmentation within impact investing*" (Camphen Wealth, 2020 p. 7). Moreover, 29% of respondents to the GIIN annual survey in 2020 cite a '*common understanding of impact investing*' as a market challenge (2020).

Likewise, marketplace legitimacy risks being corrupted if practitioners do not hold each other accountable to their impact intent (Bursh et al., 2021; SIIT 2014a, 2014c; Brest & Born, 2013). In 2009, Freireich & Fulton argued that if the marketplace could not embed principles of *investing with impact,* actors would move from incentives of 'doing real-world good' to simply a 'feeling good' strategy. Establishing marketplace conditions and institutional arrangements to incentivise legitimate investment activities targeting real-world outcomes would be essential to avoid impact washing (Findlay & Moran, 2018).

From an academic perspective, the impact investing field is still evolving (Daggers & Nicholls, 2017). Nevertheless, scholars derive impact investing as a strategy and 'framework of thought' (IFC, 2019; Findlay & Moran, 2018; Höckstädter & Scheck, 2014). Consequently, it is not an asset class or product. Providing one of the earliest accounts, Freireich & Fulton (2009) relate impact investing to "*actively placing capital in companies and funds that generate social and environmental good and at least return the nominal principal to the investor*" (pp. 11). Later O'Donohoe et al. (2010) and Bugg-Levine & Emerson (2011) defined impact investing as a strategy to target social impact beyond financial returns. Hence, if one breaks down the definition, the

main objective is to intentionally achieve blended value (Emerson, 2018). As a result, these principles are coherently referred to throughout impact investing literature, as definitions centre on (Bursh et al., 2021; Findlay & Moran, 2018; Chiappini, 2017:

- A provision of capital
- The intent is to generate real-world outcomes
- The measurability of impact generated
- An expectation of having a return of capital.

In the same way, Weber (2017) and Brandsetter & Lehner (2017) resonate with the notion by defining impact investing according to similar terms of blended value and **the principle of 'sustainable' returns.** Here Weber (2017) notes that impact investing **can be distinguished from 'traditional investing'** as it narrowly focuses on maximising financial return, with unintentional real-world impact outcomes not being a central principle for success. As an often-used point of reference in academic literature, Höchstädter & Scheck (2014) comprehensive literature review establish three main trends in impact investing such as:

- Impact investing is defined in financial and non-financial returns
- The return of principal capital is a minimum requirement with financial returns ranging from above- or below market rates
- The non-financial impact must be intentional and to the extent possible measured.

Similarly, Rizzello et al. (2017) sampled 50 peer-reviewed studies to conclude that the blended value proposition best captures the conceptual framework that underscores impact investing. The stream of literature emphasizes impact investing as its owns specific field within SI literature and the investment spectrum (Ibid). Despite being its own field, Oleksiak et al. (2015) also argue that impact investing is embedded in traditional investment practices, relating to:

> "*It is important to understand that impact investing is simply the augmentation of traditional investment practice with consideration of social- and environmental value creation and risk management frameworks*" *(pp. 221).*

Accordingly, to provide an overview of the definitional developments in the field, Annex B provides an overview of cited impact investing definitions as observed in the literature.

Given the above, impact investing is a strategy that encompasses three observable features related to investments made with the *intent* to *contribute* to opportunities that generate *measurable* positive social- or environmental impact across a given level of risk-return (Bursh et al., 2021; Findley & Moran, 2018). Here practitioners must embed risk, returns, and impact parameters in the investment strategy (Roundy et al., 2017; Brandsetter & Lehner, 2017). In attempts to translate features into practice, the IFC Impact Management Principles use these parameters to provide a framework incorporating impact considerations (IFC, 2019). This includes defining principles concerning:

- **Intent**: Practitioners should demonstrate a clear strategic intent to achieve defined impact objectives. The intent should be present throughout the investment strategy
- **Contribution:** Practitioners establish a credible narrative to their contribution and aims to achieve the objective
- **Measurement:** Practitioners embed an evaluation framework to measure real-world outcomes and manage ESG-risks
- **Financial returns:** Practitioners should seek a financial return on capital that can range from, or combine, below-market-rate to risk-adjusted market rate within a portfolio
- **Asset classes:** Investments can be made across asset classes.

Here practitioners commit to verifying and optimising real-world outcomes with the same rigour as enhancing financial returns (IFC, 2019; Raisman et al., 2018; Harji & Jackobsen, 2018). It follows that impact intent is central to the investment strategy rather than a side effect (Höchstädter & Scheck 2014).

More recently, Busch et al. (2021) provided a new typology to nuance the definitional boundary by arguing *how* practitioners can demonstrate impact intent. As a result, the investment strategy can be either:

- *Impact-aligned*, i.e., addressing real-world issues and measuring outputs (e.g. ratio or percentage of investments in alignment with the SDGs) or
- *Impact-generating*, i.e., investments actively contribute to real-world outcomes. As argued by Busch et al., *"(…) for an investment to be impact-generating, there must be an apparent causal effect on an outcome that can be attributed to the underlying investment made."* (2021 pp. 33).

The distinguish narrows in on how practitioners can cause and contribute to change by investment activities. This brings a new perspective to impact investing, as practitioners can embed different levels of intent, contribution, and measurement principles. Whilst also evaluating which strategies and mechanisms genuinely deliver on actual change to real-world outcomes.

Given the above, and to establish a conceptual framework to interpret impact investing beyond the definitional boundary, the following section reviews **the term 'investor impact' and the mechanisms to achieve real**-world outcomes through investments.

2.3. INVESTOR IMPACT – CLASSIFYING THE INTANGIBLE

Despite capital inflow into SI strategies, little is known about their actual contribution to real-world outcomes (Kölbel et al., 2020). Here confusion remains about the mechanisms behind *investing with impact* (Findley & Moran, 2018). For this reason, understanding how investments contribute to real-world outcomes will be important to ensure actors are incentivised to '**doing real-world good**' and ensure marketplace legitimacy (Freireich & Fulton, 2009). As the impact investing marketplace grows, it is necessary to evaluate which strategies genuinely deliver on their promises (Reynolds et al., 2021). As mentioned in previous sections, financial actors have begun to consider ESG factors effects on financial returns and society. For these actors, the next steps could be considering the extent to which investment strategies contribute to real-world outcomes, as growing public awareness begin to question how SI contributes to societal goals and real-world issues (ShareAction, 2020). For example, UNPRI (2019) has mapped SI public policy worldwide and concludes:

> "(…) *the new generation of government strategies have articulated a clear vision for sustainable finance which encompasses not just risks to the financial system, but the role the financial system has to play in financing the real economy*" (pp. 14).

Likewise, the EU Sustainable Finance Action Plan (EU Lex, 2018) is meant to (re)orient and interlink finance with the real economy – and not only the financial economy concerning activities in the financial sector – by demanding that actors begin to consider concepts of double materiality. Here actors need to consider not only ESG risks to their investment portfolio (outside-in) but also how investment activities influence real-world outcomes (inside-out) (Ibid.). As illustrated by Figure 2 (European Commission, 2019).

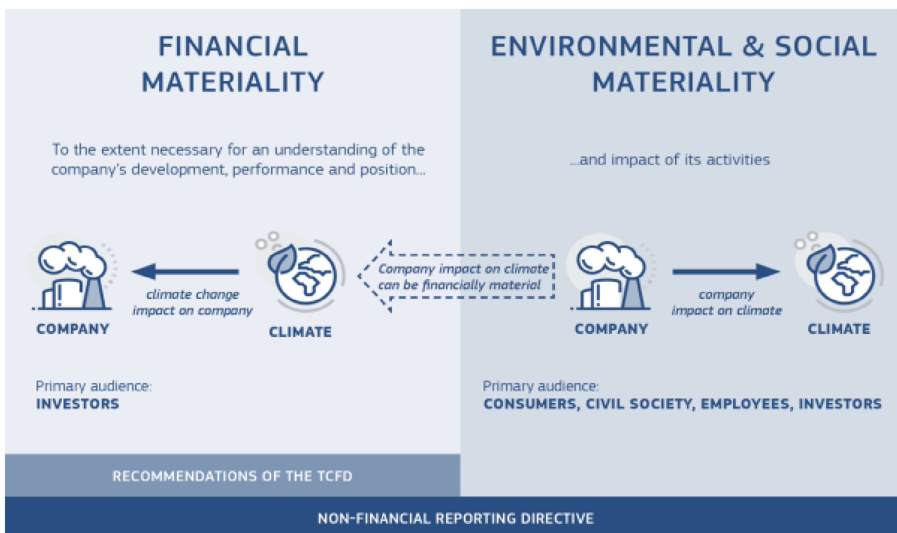

Figure 2- Illustration of double materiality perspective (source: European Commission, 2019 pp. 7)

In the same way, UNPRI is encouraging its 4000+ signatories (UNPRI, 2021) to consider the real-world outcomes in their SI strategies relating to:

> *"Our new work investment strategy is already introducing a shift towards a new approach, adding "real-world impact" as a third dimension that should be incorporated into investment strategy, alongside risk and return".*
> (UNPRI, 2018 pp. 43)

Moreover, UNPRI explores the legal questions for understanding under what circumstances financial actors are "*responsible for the real-world outcomes of their investment activities*" (Reynolds et al., 2021 pp. 101). As a result, public policy initiatives push financial actors and SI strategies to consider impact as the third parameter to risk-return (ShareAction, 2020). Consequently, understanding the link between, e.g., investment activities and real-world outcomes (either positive or negative) influences

actors' adaptation of SI strategies (Ibid.). However, actors are still grappling with understanding what constitutes investing with impact and mechanisms to achieving it (Kölbel et al., 2020). Moreover, as this study explores the characteristics of the impact investing marketplace, it becomes necessary to (i) grasp Danish actors' interpretation of SI- and impact investing strategies; (ii) actors understanding and motivations of investing with impact.

The following section will define the concept of impact as discussed by available literature and provide a framework to assess mechanisms for achieving real-world outcomes through investing.

2.3.1 DEFINING THE IMPACT

What does impact mean? In its most broad sense, impact is "*the measure of an action's benefit to people and the planet*" (Cohen, 2020 p. 11). It goes beyond simply minimising harmful outcomes by actively creating positive change with social or environmental dimensions (ibid.). Likewise, all investments have an impact. Financial actors might only seek to maximise financial returns, yet they are implicitly (or explicitly) generating real-world outcomes through their investments. For example, creating jobs or damaging the climate through harmful activities (Emerson, 2018).

As with the variety of definitions of sustainability, the line between traditional investing (maximising returns), SI strategies (using ESG-factors), and investing with impact (contributing to real-world outcomes) can be challenging to define. The issue often relates to the concept of 'impact' being hard to grasp or estimate as a value (Brest et al., 2016). The concept of impact is often fluid in definition, varying across actors' values, motivations, and subjective opinions of what constitutes positive real-world outcomes (SIIT, 2014c). Accordingly, Brest et al. (2016) argue that financial actors seeking value alignment (e.g., through exclusion-based or integration-based investing) is relatively simple. However, "*creating social value* [impact] *is far more difficult*" (Ibid. pp. 3). Instead, Brest et al. believe actors can achieve real-world impact through a combination of value alignment and impact intent. Financial actors can 'screen out' investments not aligned with value principles and instead use their value as a lens to identify investments that align with the financial actors' impact intent. (Ibid.).

Likewise, Emerson (2018) argues that every investment has an impact regardless of asset type. Every private actor and its activity have a multi-dimensional impact on either carbon, water, jobs, or waste. By default, financial actors can either have an intentional or unintended impact with positive or negative changes (Ibid). The real-world outcomes that financial actors' intent to achieve depend on their level of embeddedness in achieving that change (Ibid.). According to Emerson, financial actors can engage on three levels; broad-, deep- and mutual impact, cited as:

> *"Broad impact is the impact a vaccine initiative has, while Deep Impact is a community program housed within that overall health and wellness public policy and infrastructure initiative. Mutual impact combines the two with your meaningful engagement in the process, both at a strategic and service delivery level so that you open yourself up to becoming transformed as much as those you seek to have an impact upon." (2018 pp. 46).*

With broad impact, actors align investments with impact already formed in the established marketplace. For example, financial actors can align impact intents with 'green' sectors (e.g., solar or wind projects) or public listed companies that align with SDG-related areas. Here broad impact intents can generate *positive output* (e.g., aligning investments with low-carbon sectors). However, as Emerson argues, outputs are often distant and unengaged from financial actors' intent and often designed to fit financial considerations (risk-return), not value alignment (Ibid.).

With deep impact, actors begin to integrate intent and measurable impact with additionality. The real-world outcomes generated is often caused by the actors' activities, and not by other factors. In deep impact, actors see impact considerations as an *opportunity* to trigger a positive outcome that they wish to see on society and drive impactful projects that would not have happened without their investments (Emerson, 2018). Financial actors can have a catalytic intent by contributing to real-world outcomes through engagement or identifying market-based solutions to underserved markets. Similarly, Emerson argues that the impact intent becomes one's identity and crosscut every aspect of financial actors' investment strategy.

Lastly, mutual impact combines the two previous levels, as financial actors become *personally* engaged and the impact becomes embedded. Here impact is created in partnership with others and is meant to enhance positive transformational system change (Ibid.).

Both deep and mutual impact could imply that financial actors accept higher risks or lower returns to generate positive outcomes. However, both levels are not necessarily linked to financial actors' risk-return expectations. Instead, their impact intent becomes the lens to observe the world and achieve positive change. Similarly, Clark et al. (2004) define impact as "(…) *the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway*" (pp. 7). The definition differentiates between terms such as outputs from outcomes. For example, outputs are "(…) *results that a company, nonprofit or project manager can measure or assess directly*" (pp. 6). In contrast, outcomes are the real-world impact that actors are trying to achieve. A similar distinction is made by Brest & Born (2013), who introduce three impact parameters where investments can contribute to outcomes. Table 5 describes each parameter.

Type of impact	Characteristics
Enterprise impact	▪ Enterprise impact relates to the product or service delivered by the investee. For example, outputs from waste management. ▪ The operational impact is the value an investee has on its stakeholders. For example, employees' health or environmental outcomes in the supply chain.
Investment impact	▪ Financial actor's capital contribution to enhancing the value of an investee. For example, enhancing the enterprise- or operational impact of the investee.
Non-financial impact	▪ Providing non-financial benefits. For example, actors contributing with the know-how to optimise enterprises impact.

Table 5 – Summary of Brest & Born (2013) framework for quantifying Impact

The notion of investing with impact is often referred to in development assistance- and finance (Köbel et al., 2020; Daggers, 2019). Here, DFIs often has a public mandate of contributing to specific development objectives with additionality features (IFC, 2018). This often implies making investments in underserved markets (Danida, 2016a). Accordingly, the concept of impact has a strong background in evaluation literature (Daggers, 2019; Choda & Teladia; 2019; Harji & Jackson, 2018). In impact evaluation, the impact generated from development interventions relate to:

- The intended impact is measured against a baseline to understand change happening before funds come in and afterwards. The change happing is defined as impact (Reisman & Gienapp, 2004),
- The impact is measured against defined metrics and/or parameters,
- Impact shows additionality, meaning the positive change would not have happened without the intervention or activity (Daggers, 2019)[14].

Similarly, the Global Impact Investing Network (GIIN) defines "*investment impact – or the positive and negative effects reasonably associated with an investment into a company, project, real asset, or fund and the activities of that investee* "(GIIN, 2020b pp. 4). Here the GIIN has developed a methodology to answer how much impact an investment generates and its benchmark to similar investments (Ibid.). This involves categorising how financial actors can assess the real-world outcomes generated and what they can reasonably claim as '**investor** impact'. The impact achieved is assessed in a spectrum of outputs and outcomes with changing degrees of influence, and control, between the financial actor, the investee activities, and changes in, e.g., end-beneficiaries well-being, as illustrated in Figure 3[15]:

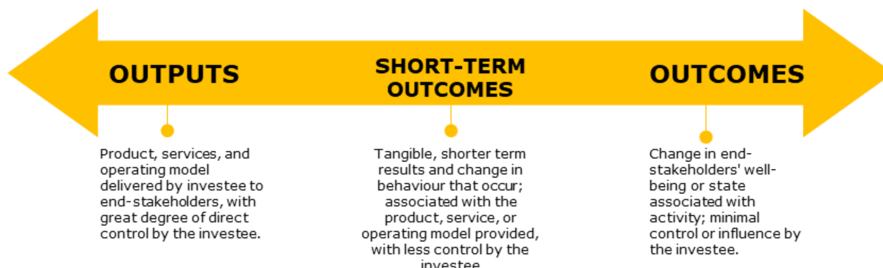

Figure 3 - GIIN (2020b) Methodology for Standardizing and Comparing Impact Performance & Spectrum of outputs and outcomes

The GIIN methodology echoes similar statements that real-world outcomes are defined as the investee's activities and not the financial actor. However, it brings more

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[14] *This is consistent with the World Bank Group's definitions concerning (i) real-world outcomes generated from the investment and other non-financial contributions to accelerate the investee's activities. (ii) Outcomes are viewed as the investee's activities through its products or operations (IFC, 2018).*

[15] *The degrees of influence align with Clark et al. (2004) and Brest & Born (2013) differentiation between output and outcomes.*

nuances to the degree of impact-generated and the sphere of influence financial actors can 'claim' or control.

Another initiative is the Impact Management Project (IMP, 2021a)[i] which aims to form a consensus on how actors can understand their impact, which they define as "(…) a *change in a social, environmental or economic outcome (i.e., often expressed as a change in wellbeing) caused by an entity [either partially or wholly; directly or indirectly]. An impact can be positive or negative, intended or unintended*" (IMP, 2021b). Ideally, outcomes concern the long-term social and environmental benefits that an investment aims to generate. In contrast, the impact will differ depending on the specific goals a financial actor seeks to address. Managing the impact within investing means understanding and weighing both positive and negative outcomes of the underlying investments and the actor's contribution. To help categorise financial actors' motivations, the IMP has formed the 'ABC' framework to outline how actors' intent influences impact goals and management of performance, as described in Table 6 (IMP, 2019).

Intention(s)	Types of impact
(A)cting to avoid harm	Financial actors choose investments to avoid harm for their clients. *For example, incorporating ESG-aspects to mitigate reputational- or operational risks or ensure value-alignment.*
(B)enefit stake-holders	In addition to (A), financial actors can choose to favour investments actively benefiting their stakeholders. *For example, identifying ESG opportunities, where private actors provide positive outputs such as products or services within SDG-related areas.*
(C)ontribute to solutions	Likewise, some financial actors identify investments where the core activity (product, service, or concept) contributes to solving a specific impact objective and outcome.

Table 6 – Summary of IMP matrix for managing the impact of an investment

Most SI strategies fall in the (A) or (B) categories, and most impact investing strategies relate to the 'C' category. Next, IMP identifies four strategies that financial actors can deploy to contribute to their impact intent, as seen in Table 7:

Impact strategies	Description
Signal that impact matters	▪ Actors choose to avoid or invest in certain areas or sectors.
Engage actively	▪ Use knowledge and network to improve ESG-aspects.
Grow new markets	▪ Finance new or underserved opportunities relating to deep impact strategies.
Provide flexible capital	▪ Provide flexible capital, as the financial actor "*recognises that certain types of enterprises will require acceptance of the lower risk-adjusted return to generate certain kinds of impact*" (IMP, 2019 p. 9)

Table 7 – Summary of IMP investor mechanisms to achieve impact.

From an academic perspective, Köbel et al. (2020) provide a literature review of 'investor impact' by outlining mechanisms contributing to real-world outcomes. Here Köbel et al. describe impact as "(…) *the change in a specific social or environmental parameter that is caused by an activity.*" (2020, pp. 2) and are recognising two distinct components of impact:

(i) Financial actors' impact, as the change, happening at the investee as caused by the investment.

(ii) The investees impact relates to the real-world changes occurring by its activities.

The article concludes that financial actors can deploy three mechanisms to achieve real-world impact: (i) *shareholder engagement*, meaning providing non-financial support to enable the investee to implement change. (ii) *Capital allocation* provides 'new' capital that allows the investee to grow, scale production, or access finance in underserved markets. Here Köbel et al. (2020) identify two additional capital allocation mechanisms, relating to:

- Financial actors can contribute with non-financial support to improve investee growth and ESG-aspects.
- Invest in sectors where the growth of investees is limited due to bad financing conditions.

The last mechanisms relate to (iii) *indirect impact*, where financial actors signal or communicate why and how they avoid or invest in specific sectors (Ibid.).

Overall, financial actors adopting SI strategies and believing that their impact is equivalent to their investment portfolio can be misleading. Instead, to define impact, financial actors must observe how their investment can contribute to their impact intent by enhancing the outputs and outcomes through the investee activity. As outlined, investing with impact has two defining aspects:

- Financial actors' *intent* to achieve defined environmental- or social objectives through capital allocation, engagement, and non-financial contributions,
- The investee *activities* influence on short- and long-term outcomes through its products- or operations.

A clear distinction can be made between financial actors' impact and the outcomes of an investee activity. In general, financial actors cannot directly impact specific social and environmental outcomes, as financial actors rely on the investee activities. Likewise, financial actors' impact relies on their intent and commitment to achieving it (Brest et al., 2016). Here Figure 4 summarises definitions and mechanisms to invest with impact.

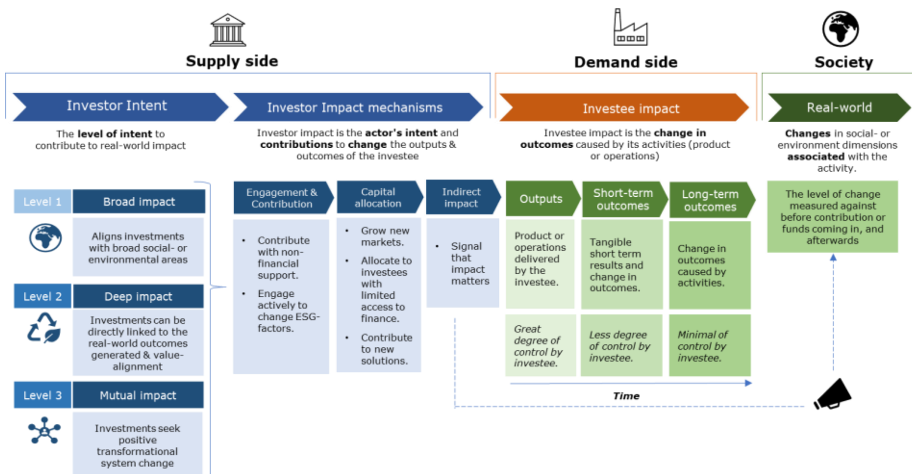

Figure 4 – Illustration to summaries intent, mechanisms, impact and outcomes. Inspired by Köbel et al. (2020), GIIN (2020b) Emerson (2018) and SIIT (2014c)

This concept of *investing with impact* corresponds with the research aim of this study. As the impact investing marketplace grows, it is important to understand the principles and mechanisms to achieve real-world outcomes and its differentiation to SI strategies. Hence, exploring actors' understanding of how to *invest with impact* gives insight into their interpretations, motivations, and practice of impact investing. Combined with how these influences the marketplace characteristics.

2.4. FRAMING THE IMPACT INVESTING MARKETPLACE

The section presents a framework to observe the impact investing marketplace. This study seeks inspiration from Roundy (2019) theorisation of the impact investing ecosystem and combines it with the OECD framework to observe actors in the field (2019, 2015). As illustrated by Figure 5:

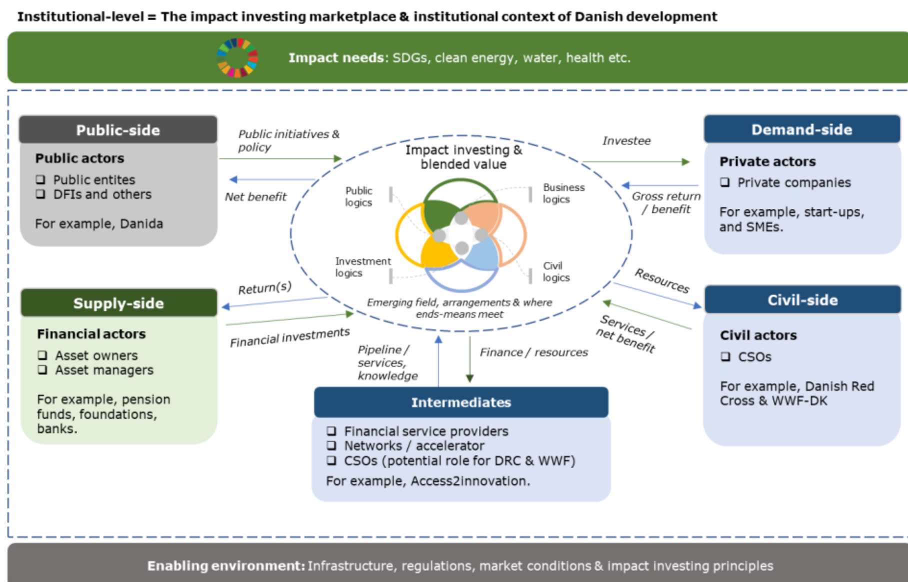

Figure 5 – Illustration of the market framework. Inspired by OECD (2019)

Market framework

As with other markets, the impact investing marketplace is complex and consists of interconnected factors (Schwartz et al., 2015). Here Roundy (2019), Oleksiak et al. (2015), Schwartz et al. (2015) and Wood et al. (2013) note that an increasing range of actors is entering the impact investing marketplace both on the *supply-side* (i.e., financial actors allocating capital towards impact investing strategies), the *demand- and civil side* (i.e., private and civil actors activities of delivering products and operations addressing impact needs). Correspondingly, *intermediates* (i.e., service providers, knowledge networks, accelerators) are trying to facilitate the marketplace. Likewise, the *public-side* and *enabling environment* is governed by public actors, whose initiatives enable the market infrastructure, policymaking, regulations). Furthermore, Oleksiak et al. (2015) noted that some actors "*serve more than one function*" (pp. 225). For example, civil actors can play several roles, either intermediates, capacity-builders, facilitators of investment opportunities, or investees (Amplify, 2018; 2016). OECD observes that for the impact investing marketplace to function, actors from various sectors must work in synergy to reach a 'critical mass' able to sustain a marketplace (OECD, 2019, 2015). Here the following continues by presenting the OECD (2019) framework and illustration of the marketplace.

- *Demand-side* relates to any private- or civil actor receiving investments and whose activities deliver real-world outcomes. Moreover, demand-side actors need different finance and support to scale their outputs (OECD, 2019). This includes access to early-stage funds to pilot solutions and patient capital to expand operations (Ibid.).
- *Intermediates* involve actors who facilitate or interlink other actors in activities that would not otherwise have materialised (OECD, 2019). Intermediates match actors together and support either the supply- or demand-side. Here, intermediates are often categorised as:
    - *Financial intermediaries* (e.g., as "middlemen" to facilitate financial transactions).
    - *Capacity-builders* (e.g., accelerators and incubators, network-based actors, or knowledge platforms).

Intermediaries have an essential role in coordinating the marketplace, as they can increase the connections between the supply- and demand sides. (OECD, 2019).

- *Impact needs.* As impact investing strategies aim to achieve blended value, the driving force behind the marketplace are intentions to contribute positively to impact needs.
- *The supply-side.* Includes financial actors that provide some form of financing. Financial actors can be grouped as either asset owners (actors owning the capital) or asset managers (providing financial services on behalf of asset owners)[16].
- *The public side & enabling environment.* Involves the market infrastructure, policymaking, market incentives and institutional context, which influence how a marketplace develops (OECD, 2019; Wood et al., 2013).

Given the above, the market framework will be used as a conceptual model to illustrate different parts of the marketplace.

Marketplace features

As impact investing strategies include blended value, the marketplace gains an additional layer of complexity, separating it from traditional financial markets (OECD, 2019). Understanding the interconnections will help outline marketplace characteristics and separations to other markets. Here, Roundy (2019) believes that to grasp the impact investing marketplace, scholars need to observe facilitative *conditions* related to (i) diversity, (ii) coherence and (iii) coordination. The following will outline each feature and its role in the marketplace.

- *Diversity* relates to how a marketplace encompasses the conditions needed to sustain it. This suggests the diversity of different actors, the enabling environment, and the pipeline of demand- or civil side investment opportunities (Ibid.). As a result, the marketplace needs various supply-side actors

[16] *Examples of* ***asset owners*** *relate to high-net-worth individuals (HWNI), retail investors, foundations, corporations, or public actors. At the same time,* ***asset managers*** *relate to private wealth managers, fund managers, investment advisors, pension funds, family offices, corporations, venture funds, impact funds, banks, DFIs, public investment programs, intermediaries etc.*

with different impact objectives, risk-return profiles, and access to co-investment deals to function. On the contrary, the enabling environments, intermediates and pipelines of projects need to match supply-side criteria. Thus, as the diversity of actors increases, so does the likelihood of matching supply- and demand-side needs.

- *Coherence* relates to "*the degree of association between the components of an ecosystem, which causes them to coalesce into an interconnected group*" (Roundy, 2019 pp. 6). For a marketplace to function, actors must engage in similar activities and arrangements. Therefore, coherence is the shared norms, values, and behaviours of actors.
- *Coordination* is the level of interconnection made between actors in the marketplace. It follows that actors' ability to exchange knowledge, network and interact. Without coordination, the marketplace will remain fragmented with limited coherence and diversity.

As a result, the features present the conditions which need to be present for an impact investing marketplace to function.

Given the above, this study draws on these features to observe the Danish marketplace and project partners potential roles. Next, this study describes the theories used to explore and interpret impact investing in Denmark.

2.5. INSTITUTIONAL THEORY FOR IMPACT INVESTING

The institutional perspective has long been an organisational theory to observe institutional arrangements, i.e., "*such that constitutive institutional rules defining legitimate activities, membership and boundaries*" (Greenwood et al., 2011 pp. 336). In the same way, understanding institutional complexity, i.e., contexts where actors "*confront incompatible prescriptions from multiple institutional logics*" (ibid. pp. 318) and how actors respond or are influenced in different organizational fields (Battilana & Lee, 2014; Thornton & Ocasio, 1999). For example, emerging fields "*are often characterized by sharp contestation between logics as proponents vie to prioritize logics*

favourable to their material interests or normative beliefs" (Greenwood et al., 2011 pp. 318). While more mature fields "*are more likely to have evolved stable priorities between logics*". (Ibid.)

When applied to this study's conceptual framework, institutional theory becomes a helpful lens to interpret how actors use their logic of action, i.e., "(…) *principles that prescribe how to interpret reality and constitutes appropriate behaviour*" (Greenwood et al., 2011 pp. 5) between themselves and others (Thornton & Ocasio, 2008, Friedland & Alford, 1991). Similarly, institutional studies often utilise qualitative methods to uncover how actors' logic compete against others or conform to new collective rationalities (Greenwood et al., 2011).

Scholars within impact investing literature have used the institutional perspective to understand how the field could combine competing and distinctive logics (Nicholls, 2010). In pursuing real-world outcomes, impact investing merges other fields and logics related to mainstream financial fields (investment logics), philanthropy and government spending (public logics), civil sector social values (civil or impact logics) and private sector business management (business logics) (Castellas et al., 2018; Nicholls, 2010). Daggers & Nicholls (2017) describe how the impact investing marketplace contains several distinct fields with 'blurry' boundaries, as actors interpret the principles of impact investing differently. Meanwhile, Oleksiak et al. (2015) place impact investing in the market-building phase as actors are still converging around shared institutional arrangements, with actors starting to adopt investment strategies and interact around impact principles (Ibid.). As the field matures, it begins to attract more mainstream actors to increase the level of marketplace diversity (Roundy, 2019). Likewise, Castellas et al. (2018) argue that the impact investing marketplace represents an ideal setting to study field emergence, institutional arrangements and complexity as actors are incentivised to converge blended value and interact across fields to achieve real-world outcomes.

For this reason, Yan et al. (2019) discusses how institutional ends (e.g., motives, values, interests, and goals) and means (e.g. practice, fiduciary constraints, risk-return criteria, resources, knowledge and experience) influence the complementarity of logic and display how actors pursue blended value. For example, the high prevalence of investment logic influence actors' institutional *ends* and interpretations of impact investing, as the logic embeddedness influences actors' institutional means when

adopting strategies (Ibid.). Similar, the investment logics of risk-return can influence the type of investments or real-world outcomes pursued. On the contrary, a low prevalence of investment logic implies actors can decouple from investment logic and foster novel impact investing strategies that balance blended value (Ibid.)

In general, scholars call for research to explore the interrelation between logic (e.g., impact *vs* investments) and institutional ends-means within an impact investing marketplace (Yan et al., 2019; Castellas et al., 2018). Moreover, how actors converge around institutional arrangements in impact investing and make strategies in emerging fields (Birkholz, 2015). There have been several academic studies on observing impact investing from an institutional perspective. Here Annex C provides an overview of academic studies.

2.5.1 INSTITUTIONAL THEORY OVERVIEW

In seeking real-world outcomes beyond financial returns, impact investment could involve conflicting logic and sector practices that require collaboration between non-traditional fields (Castellas et al., 2018). The field of impact investing requires different actors to collaborate to succeed, leading to a potential competition of logic and overlapping fields (Nicholls, 2010). As mentioned, the actors' rationale and practices relate to institutional logic (Friedland & Alford, 1991). Logics prescribe the 'rules of the game' that actors shape interests, values, and strategy at organisational levels (Thornton & Ocasio, 1999). Actors and their logics reside at an individual or organisational level, prescribing internal discourse, relations, and discussions (Pache & Santos, 2013; Hoffman, 1999). Studies have adopted the perspective of logics to explore how, e.g., multiple logics can co-manage over time involving varying degrees of coherence, competing or even conflicting logics (Greenwood et al. 2011; Reay & Hinings, 2009). The relations between logics can be described as institutional complexity (Greenwood et al., 2011). This study suggests that institutional complexity might occur when actors adopt strategies to prioritise two logic sets when pursuing blended value or related strategising. This could expose actors to different sets of logic and overlapping fields, which in turn feed into their organisational strategy and activity, leading to competition, complementary or converging with existing logics (Hinings et al., 2017; Raynard, 2014;).

As an emerging institutional field, the impact investing market overlaps with more established and mature fields with their own embedded logic originating from different actors and institutional ends-means (Yan et al., 2019; Nicholls, 2010). Accordingly, studies have long sought to understand how actors manage the pressures occurring in contexts where institutional complexity happens as actors become exposed to new fields emergence and logics being introduced (Greenwood et al., 2011). DiMaggio & Powell (2000) studied how fields are constructed when relevant actors collectively come together to establish a context of new activities. Here fields incorporate all relevant beliefs, organisations, and practices, that "*in the aggregate constitute a recognised area of institutional life, [including] key suppliers, resources and product consumers, regulatory agencies and other organisations that produce similar services or products.*" (DiMaggio & Powell, 2000 p. 145). Institutional fields hold logics that prescribe legitimate forms of organising as actors interact with others and rarely find themselves exposed to one single field of logic (Fligstein & McDam, 2011). Instead, they are faced with a wide range of logic from various overlapping fields (Besharov & Smith, 2014).

For example, within an impact investing marketplace in Denmark, civil actors that prioritise neither financial nor private logic, but who traditionally comply with philanthropic or public logic, may need to build a new internal practice, strategy, or activity to collaborate with, e.g., financial fields. This requires civil actors to implement new logics that may compete with existing ones. Likewise, financial actors looking to integrate impact investing strategies into their practice must adapt traditional financial logic with impact to achieve blended value. Consequently, financial actors are confronted by overlapping fields, where civil or public logic is needed to balance impact and financial return expectations, which can lead to institutional complexity. To comprehend features of institutional complexity, Zilber (2002) argues that researchers need to explore the relations between actors, logic, and their actions. This corresponds with Bindes (2007) and Suddaby et al. (2013), who conclude that logic should translate into actors' practices, strategies, and activities concerning actions. Moreover, institutional ends-means could influence the degree to which actors can adopt strategies (Friedland & Alford, 1991).

Emerging fields, like impact investing, could be susceptible to institutional complexity, as actors compete to define the dominant logic, compared to more mature fields that encounter more stability (Greenwood et al., 2011). The impact investing marketplace in Denmark could be described as an emerging field, as actors from more mature

fields adopt strategies and enter the marketplace, leading to competition to find the new dominant logic. For example, Battilana & Dorado (2010) studied microfinance in South America to show how banking actors needed to balance often incompatible logics of development work and traditional banking. As a result, conflicting logic grew when actors needed to balance between, e.g., seeking poverty reduction and maximising shareholders' returns. Such findings could provide a valid 'lens' to examine the competition of logic at play in impact investing and help characterise how emerging the field conform or confronts multiple logic (Lehner & Nicholls, 2014; Nicholls, 2013; 2010). As with every theoretical perspective, this study is attentive to the limitations of institutional theory. For example, few studies have sought to understand how actors internally organise or respond when confronted by new logic. In studies, Smets et al. (2012) and Jarzabkowski et al. (2013) describe how actors at the organisational level introduce new logic through day-to-day activity, dialogues, and discussions. Concerning impact investing studies, little is known about how actors' make strategies at the organisational level and in the emerging field (Birkholz, 2015).

For this reason, this study builds a bridge to strategy-as-practice (SAP) to examine how, e.g., project partners strategise and its influenced by "*activity arising from the actions and interactions of multiple level actors*" (Jarzabkowski, 2005, p. 6). Moreover, SAP allows this study to understand the institutional - and organisational-level feedback and examine how actors interact or influence each other. Combined with a research design outlined in Chapter 3, this study aims to operationalise institutional theory and SAP to become a 'tool' for real-world problem-solving.

As a result, the following section describes the conceptual use of SAP and its application to this study.

2.6. STRATEGY AS PRACTICE

SAP reconceives strategy-making as something actors *do* instead of something organisations *have* (Johnson et al., 2003). In this way, SAP fits within the institutional traditions of organisational theory (Smets et al., 2015). As argued by Whittington (2017), "*By its very title, Strategy as Practice connects to Institutionalist concerns for practices and the institutionalized structures of action*", SAP focuses on actors' strategy-making

(or strategising) by seeking to understand the organisational-level social activities, motivations and practices that characterise organisations' strategy-making processes (Ibid.). SAP has recently expanded beyond observing organisational-level activities and examining the influence on and from the institutional level to provide a more holistic understanding of feedback loops (Seidl & Whittington, 2014). Here Whittington (2006) introduces the term practices to describe the "(…) *shared routines of behaviour, including traditions, norms, and procedures for thinking, acting and using 'things', this last in the broadest sense*" (pp. 619) to shed light on relationships between established norms or social structures influence on organisations strategy-making. Furthermore, Whittington notes that actors' practice and motivations serve as guidance for their actions and is central to understanding the strategy-making at the organisational level and relations to similar routines of behaviour at the institutional level (Ibid.). Here SAP sees that actors strategising does not happen in isolation but involves a process of activities happing in the nexus and interactions with others (Ibid.).

However, SAP also includes the organisational-level processes that influence actors' strategy-making and provides a strategic aspect to explore the internal process of organising (Jarzabkowski et al., 2007). Here SAP performance is an "*in-depth analysis of what actually takes place in strategy formulation, planning, implementation and other activities that deal with the thinking and doing of strategy. In other words, Strategy as Practice research is interested in the 'black box' of strategy work that once led the research agenda in strategic management research*" (Golosorkhi et al. 2015 p. 2). SAP concentrates on how actors are enabled by organisational- and institutional-level practices influencing their decision-making. Combined with how their actions alter the organisation and relations to others (Ibid.). Hence, SAP and institutional theory share similar features related to how practice, or logic, are accepted as 'rules of the game' and are embedded in organisations over time. However, organisations strategising process is influenced by actors at the institutional level, interactions with other fields and exposure to competing logics (Smets et al., 2012).

SAP explores the 'black box' of strategy-making, which is socially achieved through the activity and outcome of actors' day-to-day interactions, motives, and actions. SAP considers organisations strategising and execution as inherently social practice (Smets et al. 2015). Likewise, SAP is not limited to understanding, e.g., senior management activities, but believes strategising happens across multiple levels of actors in the

organisation. Instead, SAP explores activities initiated by different actors and their participation in strategy-making (Vaara & Whittington, 2012).

Overall, SAP consists of three concepts related to *practitioner*, *praxis,* and *practices* (Whittington 2006). The term *practitioners* relate to all actors actively involved in strategy-making and execution, including multiple senior management levels, staff members and related key actors on strategy. Here practitioners interact through day-to-day planning, dialogue, and operations to 'navigate' the organisations in a particular direction (Ibid.) Meanwhile, *praxis* relates to specific activities, such as actions, discourse, documents, or materials, used to formulate the strategy-making. Here Egels-Zandén et al. (2013) distinguish between three types of strategic activities relating to

(i) *Visionary activities* that inform organisations strategy intentions. These often originate from the senior management level to envision plans and ambitions for the future.

(ii) *Prescribed activities* are intended actions to implement the strategic intentions and originate top-down to guide activities towards strategic goals.

(iii) *Autonomous activities* stand in opposite to prescribed activities. Instead, these are actions neither informed nor guided by intention or aiming to have strategic outcomes. Autonomous activities originate at the bottom-up with little guidance from senior management.

Overall, these types of activities will help describe actions made by project partners during the research period.

Lastly, *practices* close the loop between the organisational and institutional level, as it refers to the shared behaviour, motives, norms, and values that continuously influence *practitioners* and *praxis* (Whittington, 2006.). In connection, practice-driven learning connects the three terms as it describes *"(…) change that emerges from improvisations in everyday work consolidates within an organisation and radiates to the level of the organization's field."* (Smets et al., 2012 pp. 1). Here practice-driven learnings describe how organisations can adopt new practices through mutual learnings and everyday praxis (Smets et al., 2017).

SAP theory offers two advantages for the RQ and research aims of this study. Firstly, it builds a bridge between institutional and organisational levels of the impact investing marketplace and project partners, allowing this study to examine the feedback between them. For example, on the one hand, exploring how changes in the development context, as explored in Chapter 4, influence the strategy-making activities of project partners. While on the other hand, understanding project partners practices and interactions influence the marketplace. SAP extends institutional theory by opening various outcomes to describe how project partners strategise and converge around new practices. By combining SAP and institutional theory, this study examines how project partners craft responses. Secondly, SAP often relates to qualitative designs focused on individual organisations. Here SAP data-collection relates to interviewing staff members at multiple levels and making persistent observations to understand project partners strategising process (Golosorkhi et al. 2015).

Here Chapter 3 explore how soft system methodology is used to operationalise the theories to enable this study to intervene and contribute to project partners strategising.

2.7. SUMMARY OF FRAMEWORK

The following outlines the key takeaway and themes emerging from the conceptual framework, relating to:

Firstly, reflecting on SI strategies' current practice and trends shows how financial actors consider non-financial ESG aspects in investment strategies to enhance risk-adjusted returns and sustainability. The reflections show the spectrum of SI strategies and the augmentation of traditional investment practice considering social- and environmental aspects.

Secondly, understanding impact investing and its definitional boundaries has implications for the research conducted in this study, concerning how literature acknowledges that impact investing constitutes strategies with *the intent to contribute to measurable blended value.* To further characterise impact investing, the chapter introduces a new typology to nuance the definitional boundary by arguing how actors can demonstrate impact *intent* – either through *impact-alignment* or *impact-*

generating - and *contribute* to real-world outcomes. The definition and new typology give a basis for segmenting actors interpretations and motives towards impact investing based on similar aspects.

Thirdly, to characterise *what* is meant by investing with impact or mechanisms to achieve real-world outcomes, the chapter discusses different levels of impact – from the broad, deep and mutual levels– to further segment how actors can adopt strategies. Drawing the parallel between impact investing and its real-world features provides a basis to further characterise different types of Danish actors' interpretations, motivations, and practices to adopt impact investing. By that, the chapter also gives an overview of market actors and conditions (e.g., market diversity, coherence and coordination) needed to sustain impact investing.

Lastly, understanding *impact investing* as a strategy to achieve blended value and real-world outcomes means considering actors' ability to converge around multiple logics and shared institutional arrangements. Here *institutional theory* becomes a lens to examine field emergence, arrangements, and institutional ends-means to adopt blended value. The interrelation between logic and actors' ability to converge around blended value provides insight into the Danish marketplace's characteristics at an *institutional level*. To detail how actors converge around new *practices* and logic, SAP provides the framework to examine the day-to-day *activities* of organisations strategising process, combined with their interactions with other fields and logic of action to adopt impact-investing related strategies.

Given the above, Table 8 summarises the themes and terms used in the conceptual framework. Furthermore, Table 8 is used as a reference point in the following chapter to connect the conceptual framework with the data analysis strategy (Chapter 3) and analytical findings from Chapter 4 to Chapter 6. Through the chapters, the use of terms will be highlighted in *italics* to show the connection between framework and analysis.

	Themes & key terms
Institutional & Organisational level(s)	Impact investing principles ▪ Intent, contributions, measurement ▪ Impact & real-world outcomes ▪ Actors' motivations ▪ Organisational characteristics & practice
	Marketplace framework ▪ Actors ▪ Enabling environment ▪ Diversity, Coherence, Coordination
	Institutional theory ▪ Institutional ends-means ▪ Logics ▪ Prevalence of logics ▪ Fields ▪ Institutional arrangements / complexity / legitimacy ▪ Organisational Responses
Organisa-tional-level	SAP ▪ Practice ▪ Motivations ▪ Types of activities ▪ Actors ▪ Interactions ▪ Strategy-making / objective.

Table 8 – Summary of the conceptual framework and terms from Chapter 2.

Outcome: To understand impact investing, its blended value features and actors related strategising. This study uses the conceptual framework to examine *how* actors' institutional ends-means influence their interpretations, motives, or practice of their adoption of impact investing and shape institutional arrangement at an *institutional level*. Combined, *how* projects partners strategising, and interactions influence their adoption of related strategies and practice at an *organisational level*.

"We face investors trained to ***believe that doing good and doing well*** *simultaneously is not possible."*

Bugg-Levine & Emerson
(2011 pp. 107)

CHAPTER 3 - RESEARCH DESIGN

The chapter presents the research design and methodological framework of this study. It also introduces this study's epistemological assumptions that the impact investing marketplace is relevant to Denmark and project partners strategic intentions in the context of Danish development strategy- and policy.

Here the research design refers to an overall strategy to answer the RQ (Miller & Brewer, 2003). In comparison, the methodology relates to the framework of tools, techniques, and processes to implement that strategy (Ibid.). The research design should provide a clear focus on the purpose of the research and narrow what methods, data collection, and analytical processes are most suitable to answer the subject matter (Denzin & Lincoln, 2000; Bryman, 2012). Concerning this study, the RQ design illustrates the complexity of the research area studied, combined with the requirements of how a research design and methodology can engage, collect, and analyse data from many different sources. The complexity relates to this study working on two levels. Firstly, this study takes an *institutional level* view to interpret the characteristics of the impact investing marketplace and actors in Denmark, relating to:

(i) Exploring how different actors enable and engage with impact investing
(ii) Understand actors' interpretations, motives, and practice.

This implies an exploratory and interpretive research design that can engage different actors and a flexible methodological framework to obtain various data sources.

Secondly, and combined with the above, this study adopts an *organisational level* view to detail how project partners respond and strategise around related areas. This involves exploring project partners organisational responses and interactions with other actors. As an industrial PhD, this study extends beyond merely observing, to also include an action-oriented design as it was actively engaged in strategy-making with project partners: Access2innovation (a2i), World Wildlife Fund – Denmark (WWF-DK) and Danish Red Cross (DRC).

This study applies a research design and methodological framework to balance exploratory, interpretive, and action-oriented design to operate on institutional and

organisational levels. This study uses soft system methodology (SSM) to structure its research design, select methods and operationalise the conceptual framework. (Checkland & Poulter, 2020). As a result, the following provides a brief overview of the sections included in Chapter 3.

- Section 3.1 to Section 3.2.: The research design introduces SSM and discusses the relations between exploratory, interpretivism and action-oriented design. The section walks through the SSM four-stage cyclical process of identifying, intervening, and learnings. At the same time, the section describes SSMs applications to the research aims of this study.
- Section 3.3. This study utilises a mixed methodological framework. The section describes the methods chosen, their role with SSM and their connection to the RQ. The section also introduces the rationale behind the project and discusses the researcher's subjectivity concerning project partners.
- Section 3.4. The section summarises the findings and key takeaways from the research design and methodology.

3.1. SOFT SYSTEM METHODOLOGY

SSM operates within the action-research and soft system-thinking paradigms (Ebrahimi, 2020; Checkland & Poulter, 2020; Midgley, 2000). Scholars of systems thinking literature assume that systems are single entities comprised of an independent and interlinked collection of actors (Meadows, 2008). For example, systems consist of interacting elements (e.g., the supply-side, intermediates, demand-side, impact needs and enabling environment) and social rules (arrangements, norms, value, and logics) bought together in end-less combinations that shift over time (Checkland & Poulter, 2020). Soft system thinking and SSM are closely related to the interpretive theory's main principles that prescribe reality as complex and socially constructed (Ibid.). Appropriately, the interpretive paradigm emphasises qualitative analysis over, e.g., quantitative analysis (Myers, 2008).

Soft system thinking is a systemic process of inquiry and a 'framework of thought' to tackle often complex and unstructured problems (Checkland & Poulter 2020). SSM

builds on these fundamental ideas and uses inquiry to stimulate learning across four stages to explore actors' *worldviews* and introduce change (Ebrahimi, 2020). As with soft systems thinking, SSM begins by defining the problem situation(s) and then outlining what actions can be introduced to intervene in the context to change it (Checkland & Poulter, 2020; Midgley, 2000; Checkland, 1981). Here SSM encourages the researcher to include all actors in the inquiry process by identifying those influenced or affected by the problem situation (Checkland & Poulter, 2020).

For this study, SSM is proposed to operationalise the conceptual framework from simply a theoretical 'lens' to also allow the researcher to intervene in real-world problems (Sankaran et al., 2009). As mentioned in the previous section, this study operates at an institutional and organisational level, implying an exploratory, interpretative, and action-oriented design (Midgley, 2000). The mix of designs might raise questions. However, this study argues that all sides are compatible and can be harnessed to reinforce a shared research design and methodology framework (Coghlan & Brydon-Miller, 2014). Under SSM paradigms, this study takes an exploratory stance to explore and interpret actors' views on impact investing at an institutional level. As meaning becomes attributed, these learnings produce new knowledge, allowing the study to intervene in project partners strategising at the organisational level. Next, the interpretive design helps the researcher to explore partners' strategy-making and outline their learning process.

Overall, SSM stimulates a cyclical learning process of interpreting and intervention, as illustrated in Figure 6. The combination corresponds with action research paradigms and the circular process of exploring, understanding, and intervening (Coghlan & Brydon-Miller, 2014).

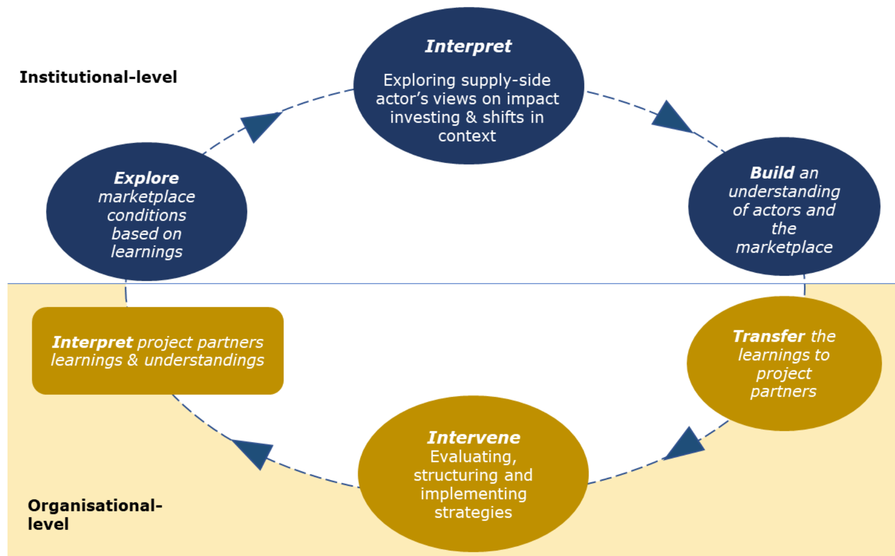

Figure 6– The cyclical-process of learnings between the institutional-level and organisational levels.

The fundamental principle behind SSM is that exploring the 'real world' can be simulated as a learning process (Checkland & Poulter, 2020; Midgley, 2000). This learning process stretches from (i) exploring an often unstructured, problematical situation, (ii) then interpreting and defining it and (iii) planning interventions on how to improve it. The process of exploring, interpreting and interventions leads to a never-ending learning loop. This means that once an intervention occurs, it automatically generates new learnings about the problem situation, leading to new exploratory searches (Ebrahimi, 2020).

3.2. SSM FOUR STAGES

Checkland & Poulter (2020) argue that no system is identical, as they are perceived differently through actors' social reality to encapsulate systems complexities. This also implies that there is no 'right way' to structure SSM and application of methodological tools (Ibid.). However, despite being an open design, there are certain 'guidelines based on three aspects that need to be considered (Augustsson et al., 2019). Table 9 outlines the aspects and relations to this study:

SSM – three aspects	In relation to this study
1. SSM works from a deductive stance with a clear research objective and theoretical frame to interpret the problem situation.	▪ **Research aims**: Understanding the impact investing marketplace characteristics and project partners strategising. ▪ **Framework**: Institutional theory, SAP.
2. The researcher needs to formulate a methodology framework able to guide the action taken.	▪ **Qualitative** data collection and analysis
3. The researcher should reflect on learnings made and adjust.	▪ This study utilises a two-level pluralist design of interpretive & interventions to generate knowledge and learning.

Table 9, SSM three aspects and their relations to the study.

SSM is universally applicable across academic fields (Ebrahimi., 2020 Cleckland & Poulter, 2020). To structure its design, SSM often uses a four-stage process (Augustsson et al., 2019). Here Table 10 outline the four stages before the following section describes their application in this study[ii].

Steps	Descriptions	Use in study
Step 1	Identify and understand the problem situation, i.e., the context and marketplace.	Step 1 is primarily used in Chapters 4 – 5 to outline the institutional context of Danish development and interpret actors in the marketplace.
Step 2	Structuring conceptual model(s) to illustrate certain aspects.	Step 2 is used in Chapter 6 to illustrate the project partners strategising process.
Step 3	Information is collected and interpreted to support intervention.	Step 3 is also used in Chapter 6 to describe project partners strategising.
Step 4	Identify options change based on former steps and identify learnings made.	Step 4 is used in Chapter 7 to facilitate a discussion about the RQ based on findings made.

Table 10 – Overview of SSM four steps and their use in the study.

3.2.1. APPLYING SSM FOUR STEPS

Step 1. Identifying and understanding the problem situation

As mentioned, Step 1 is mainly applied in Chapters 4 to 5 and the institutional level analysis. Here the step takes initial actions to outline and understand the problem situation at hand, i.e., the conditions and contexts where the RQ exist (Cleckland & Poulter, 2020). To understand the problem situation, steps should be taken to identify actors involved, either those who directly influence the situation or those affected by it (Augustsson et al., 2019). The objective is to understand all the actor's worldviews. As no worldview is less valuable, Step 1 identifies the broad range of Danish actors needed to sustain an impact investing marketplace (as outlined in Chapter 2, Section 2.4). The analysis and findings presented in Chapters 4 and 5 involve:

- *Gather an overview* of the problem situation, context, trends, and market conditions,
- *Classifying and explore* characteristics of actors involved by interpreting their views of impact investing and the marketplace,
- *Interpret the findings* through the conceptual framework.

Here Step 1 helps to define the problem situation and include views from different perspectives.

Step 2. Structuring conceptual model(s)

Findings from Step 1 outlines the problem situation(s) and actors at the institutional level, which in turn help to frame the strategising made at the organisational level. As a result, Step 2 is primarily used in Chapter 6 to outline project partners strategising- and interactions with the marketplace / context. Step 2 uses conceptual models to illustrate project partners strategising process. These models are not meant to be 'perfect' or include all activities made during the research period. Instead, they present an illustration to advance discussion and learnings made during the project (Augustsson et al., 2019).

Step 3. Information is collected and interpreted

Step 3 relates to Chapter 6. This study uses the conceptual framework to describe project partners strategising and interlinkage with the institutional level. The framework

becomes a 'tool' to describe each partner's strategy-making activities and analyse key events (Cleckland & Poulter, 2020). In relation to this study, Step 3 should allow for reflections on learnings made and data collected from, e.g., interviews, workshops, or observations, while using these as a basis for further discussions.

Step 4. Identify options for introducing change

Step 4 aims to bring it all together in Chapter 7. The step proceeds by discussing findings made and using them to answer the RQ, combined with providing a basis for future research. The step relates to bringing together institutional- and organisational-level findings to identify core characteristics of the impact investing marketplace and related strategising. As mentioned, SMM does not have an end goal but is a continual process of learning and problem-solving activities looking to introduce change. Therefore Step 4 aims to contribute to a discussion on the practical implications needed to sustain an impact investing marketplace.

To further support SSM, the following section will introduce the methodology framework and mixed methods used.

3.3. RESEARCH METHODOLOGY

This study's use of SSM as its research design also entails the need for interactive methods to engage, collect and analyse data from a diverse set of actors and project partners. To support the research design, the methodological framework has been composed to understand the RQ – relating to collecting the data and the analytical process needed to answer it.

Overall, this study uses a mixed-methods process to utilise the conceptual- and research design frameworks (Creswell, 2009). This study uses qualitative data collected from semi-structured interviews and workshops from both institutional and organisational levels. Combined with secondary data from field notes, observations, and documents (Flick, 2018). To summarise, Table 11 details the methodological framework used:

Mixed methods	Producers	Products
QUAL data collection.	▪ Purposive sampling. ▪ Semi-structured interviews. ▪ Other data (workshops & observations, fields notes).	○ *Sampling* (*n total of = 120).* ○ *Audio recordings.* ○ *Fields notes.* ○ *Observations.* ○ *Documents (emails, presentations, strategy proposals).*
QUAL data analysis.	▪ Transcription. ▪ Memos (from fields notes). ▪ Thematic analysis. ▪ Thematic coding.	○ *Transcription texts.* ○ *Memos.* ○ *Categorisation.* ○ *Codes.*
QUAL findings & interpretations.	▪ Interpretation of themes & codes. ▪ Discuss & interpret results. ▪ Validate with supporting evidence.	○ *Key QUAL findings.* ○ *Quotes.* ○ *List key findings.* ○ *Discussions of findings.*

Table 11 – Summary of the mixed methods and methodological framework used.

The following sections will describe how methods have been deployed, why they were chosen, and their connection to this study.

3.3.1. PURPOSIVE SAMPLING

This study uses purposive sampling and its application as a non-probability qualitative sampling inquiry (Bryman, 2012; Lewis-Beck et al., 2004). Here, the researcher identifies and seeks out sample participants with certain qualities relevant to the research aims, conceptual framework and analysis (Lewis-Beck et al., 2004). The sampling inquiry is helpful in areas with little or no academic knowledge available or where the researcher does not have a complete overview of the problem situation or sampling (ibid.).

This study utilises two types of purposive sampling techniques relating to:

(1) This study selects participants based on their appropriateness concerning the research aims. Here participants are deliberately chosen according to the research design (particularly Step 1 and 2). The sampling principles build on ideas of representativeness, while this study reflects on these principles as it progresses and learns (related to Steps 3 and 4) (Bryman, 2012)

(2) Using a snowball sampling technique, where participants refer to each other (e.g., one participant refers to another based on shared interests in impact investing). This is particularly helpful when participants can be hard to 'get in contact' with (Lewis-Beck et al., 2004).

The purposive sampling reflects this study's exploratory and interpretive research design, while it fits well within the SSM four-stage process. In relation to Step 1, this study started by consulting impact investing literature. Using findings, the researcher sought to identify institutional-level actors and staff members at the organisational level relevant to the problem situation(s). To provide an overview, **Annex D** and Table 15 outline the sampling principles made at the institutional level. Moreover, Table 16 outlines principles at the organisational level.

Overall, the purposive sampling resulted in a total of *120 semi-structured interviews*. The sampling includes *82 interviews with institutional-level actors* (please see **Annex E.** for a list of participants). Combined with *38 semi-structured interviews with staff-member at the organisational-level*[17].

3.3.2. INTERVIEWS

This study uses a semi-structured interview technique. The researcher applies a combination of open and closed-end questions with ad hoc follow-up probes to collect the qualitative data (Brinkmann & Kvale, 2015). According to Brinkmann & Kvale (2015), semi-structured interviews allow the researcher to "*make better use of knowledge-producing potential of dialogues*" (pp 287). The technique allows the researcher to

[17] *It is important to note that most interviews at the organisational level have been with WWF-DK and DRC. The reasoning and reflections with not including Access2innovation interviews are addressed in Annex F concerning the researcher subjectivity and research relations.*

follow-up on questions of interest or contribute to knowledge-producing participation through dialogue and knowledge exchanges (Ibid.). The semi-structured interviews combined with purposive sampling help explore an unstructured problem situation (relating to SSM Step 1). As reflected from the purposive sampling, this study engages (i) different types of actors and (ii) three separate project partners. The review of impact investing literature helped to structure the initial interview guides. Moreover, the market framework (Chapter 2. Section 2.4) informs interviews-guides designed for each sector.

The interview guides avoided including the researchers' sense-making, but instead allowed participants to reflect on understandings with impact investing or related areas. Overall, questions were designed to be open-ended - with ad hoc follow up probes. For example, the first questions directed at supply-side actors asked: "*what is impact investing*". Then followed up by similar questions: "*how do you see the SI market developing?*" or "*what challenges have you experienced in working with impact investing strategies?*". Here answers given reflect participants interpretations and reflections as they experience it (Brinkmann & Kvale, 2015).

The semi-structured interviews are often helpful with subjects where there is little knowledge or experience (Ibid). However, one noteworthy reflection from the interviews with the supply-side participants relates to their open-minded and 'sincere honesty'. Here several participants acknowledge that their interest in impact investing was not matched with their knowledge on the subject. The gap between interest and knowledge led to knowledge-producing participation and exchanging ideas, combined with reflections about actors' roles within an emerging marketplace.

Most interviews were conducted face-to-face. However, due to COVID-19 in the Spring of 2020, interviews were primarily done online. All interviews were conducted by the researcher and lasted approximately 1 – 1.5 hours. Almost all interviews were recorded and then transcribed to help in the process of interpretation and analysis[18].

[18] *Only one interview was not recorded at the request of the participant.*

3.3.3. OTHER DATA

This study used other data types primarily gained from workshops, field notes, and observations. The following sub-sections will describe each data source.

Workshop(s)

This study used both large public workshops[19] (inviting different institutional level actors) and small invite-only or informal workshops (often organised at the organisational level for selected staff members). Workshops as a data collection method have advantages when the researcher needs to bring different actors together under a common agenda or problem situation (Kanstrup & Bertelsen, 2011). Here the researcher engages a broad range of actors while interpreting their interaction and sense-making of a particular situation (Ibid).

During this study, the researcher supported or co-hosted *six public workshops*. Here DRC and WWF-DK co-hosted two public workshops in Spring 2021 under the Nordic Innovation Finance Forum focused on innovative finance and financial investments to support development work.[20] Moreover, three workshops (or conferences) were co-hosted with a2i, who invited a broad range of institutional level actors – from supply to demand-side – to discuss the financing of market-based solutions within the institutional context of Danish development.

Overall, the workshops framed a particular problem situation relevant to the project partner and invited other actors to discuss views and opinions on how to solve it[21]. At the organisational level, the PhD participated in numerous formal (and informal) workshops or strategy seminars in DRC, WWF-DK and a2i. Together with others, the workshops and seminars invited staff members to discuss particular topics or activities *related* to finance strategies. Here the researcher, together with others, facilitated the dialogue and interactions.

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[19] *In the study, large workshops are defined as an event with over 10+ participants*

[20] *For more information on the Nordic Innovation Finance Forum and workshops, please see: https://www.rodekors.dk/nordic-innovative-finance-forum*

[21] *The public workshops concern the PEOPLE PROFIT PLANET - SDG Conference in September 2018. Followed by the SDG Roundtable workshop in April 2019 (Please see External Annex D for a summary). In August 2020, a2i hosted the impact investing and SDG Finance Conference..*

Fields notes & Observations

During workshops, meetings or observations of day-to-day activities, the researcher made field notes. The notes summarise, e.g., meetings, what was seen, experienced or perceived relevant for the conceptual framework. According to Allen (2017a), field note is a qualitative method often used concerning ethnography. Here the researcher documents observations made in the field to better understand the problem situation.

As this study extends over three years, the field notes were used as a tool to remember certain situations (e.g., events where project partners display institutional complexity during strategy-making). The notes also help the researcher to avoid making assumptions about what happened during the project period. The field notes were written primarily by hand and supplemented the interviews during the analytical process.

3.3.4. DATA ANALYSIS STRATEGY

Overall, analysis relates to a process of decoding and breaking down data into more tangible elements (Dahler-Larsen, 2008). Thematic analysis is a systematic and flexible way to process qualitative data by identifying key themes and patterns of meaning relevant to the research aims (Bryman, 2012). Although widely used, there is no general academic agreement on how to go about thematic analysis. Instead, it is an analytical process and synthesising strategy applied as part of the researchers' sense-making (Bryman, 2012). One of these processes relates to the *deductive approach*, where the researcher identifies themes aligned with the RQ and conceptual framework, which provides the 'lens' to search through data themes.

Thematic analysis & Data processing

According to thematic analysis, this involves a process of (i) using the conceptual framework and research aims to identify themes in the data, (ii) building sets of codes to categorise the data material (transcripts or fields notes) and (iii) construct a sense-making of the data material and selecting data relevant to the research aims (Bryman, 2012). The process can be characterised as both exploratory and interpretive (Ibid.).

First, this study's data was analysed through a deductive approach and qualitative thematic analysis (Ibid.). The researcher builds initial themes and codes according to the conceptual framework (outlined in Chapter 2 and summarised in Table 8, Section

2.7). As stated, this study works on two levels, but the themes and code categorisation used for each level are slightly different to capture nuances in data. Accordingly, Table 12 gives an overview of themes and code categorisation at the institutional- and organisational levels.

	Theme	Key terms & Coding
Institutional & Organisational level(s)	*Impact investing principles*	▪ Intent, contributions, measurement ▪ Impact & real-world outcomes ▪ Actors' motivations ▪ Organisational characteristics
	Marketplace framework	▪ Actors ▪ Enabling environment ▪ Diversity, Coherence, Coordination
	Institutional theory	▪ Institutional ends-means ▪ Logics ▪ Prevalence of logics ▪ Fields ▪ Institutional arrangements / complexity / legitimacy ▪ Organisational Responses
Organisational-level	*SAP*	▪ Practice ▪ Motivations ▪ Types of activities ▪ Practitioners (or actors) ▪ Interactions ▪ Strategy-making / objective.

Table 12 – Summary of the code categorisation and interlinkages to the conceptual framework from Chapter 2.

This study began reading and re-reading interview transcripts to break text data into code categories. Due to the large volume of interviews made, it was impossible for one researcher to comprehensively transcript each interview word-by-word. Instead, the researcher listens through each interview and notes data of interest using the themes and code categories. Likewise, an abstract of each interview was made to summarise key topics discussed or uncover relations to themes / code categories. However, each interview and transcript were coded manually by the researcher. Meanwhile, interviews were uploaded and processed in the data management system NVivo. The program provides the tools to comment and code a large amount of data and search

through patterns. Inspired by the SSM learning process, this study reviewed and altered themes and code categories, as learnings were made during the research inquiry period.

3.3.5. THE RESEARCHERS SENSE-MAKING

As reflected in the research design and SSM framework, the researcher actively participates in data collection and processing. The deductive approach means that themes and code categorise were chosen from the study's conceptual framework and research aims. Yet, they had to be actively identified, screened, valued, and applied (Wilson, 2010). As a researcher seeking to interpret the data, particularly at the organisational level, where the study is actively involved in creating the data, it becomes difficult to be neutral or unbiased. As an action researcher, interventions and interpretations are often made according to its research aims and project partners.

Consequently, the researchers' sense-making, e.g., worldview, values, and interventions, will impact the data and analysis. The researcher cannot leave assumptions 'at the door' when working with project partners and later to 'step back out' to write about the subject (Bryman, 2012). Therefore, this study makes an effort to be transparent and explanatory around its understanding of the research design and methodology. This study aims to be open about how data is collected, analysed, and presented to allow for a broad discussion on the researcher's role. Here reflections about the study period, partner relations and the researcher's role are given in Annex F, which describes the researcher's sense-making based on the project's background and relations to project partners.

3.4. SUMMARY OF DESIGN & METHODOLOGY

The following outlines the key takeaway emerging from Chapter 3. Firstly, this study adopts research and methodological approaches to expand an *exploratory*, *interpretive*, and *action-oriented* design that explores the impact investing marketplace at the *institutional level* and project partners related strategising within the context of Danish development at the *organisational level.*

Secondly, the research design needs to (i) operationalise the conceptual framework, (ii) draw parallels between the two levels and (iii) allow the study to intervene at project partners strategising as an industrial PhD student. Hence, SSM is utilised to stimulate a *cyclical learning* process of interpreting and intervention that allows this study to take an exploratory stance to examine actors' interpretations, motives and practices of impact investing at the *institutional level.* While being able to transfer *knowledge* and *intervene* in project partners strategising at the *organisational level.* Here SSM four-stages is used to identify, collect and interpret data collected through the theoretical lens of institutional theory- and strategy-as-practice.

Thirdly, this study uses a mixed-methods qualitative process to collect, analyse and interpret findings. Data collection is achieved through purposive sampling, semi-structured interviews, and other data types (workshops, notes, observations). The data is guided by thematic analysis to operationalise the conceptual framework to code and interpret findings.

Outcome: Following the research aims, the design allows the researcher to operate on two interconnected levels. This study explores actors' interpretations of impact investing through an exploratory stance, where institutional theory decodes marketplace characteristics. As an industrial PhD, these findings and learnings are used to *intervene* at the organisational level and *contribute* to project partners. This study uses the SSM learning process and SAP to interpret learnings, strategy-making and activities initiated by project partners.

*"All sustainable **development finance actors** – and the private sector more broadly – share the responsibility for delivering the 2030 Agenda, and this means adopting a shared understanding about what we mean when **we talk about impact** on sustainable development. This will not be easy."*

Jorge Moreira da Silva, Director, OECD Development Co-operation Directorate (OECD, 2019 pp. 8)

CHAPTER 4 - THE CONTEXT OF DANISH DEVELOPMENT

The chapter presents the first part of the analysis by centring on the public actors and institutional context of Danish development strategy and policy (as highlighted in yellow in Figure 7). The chapter takes an institutional-level view to map trends and policy created to leverage financial investments and resources towards development outcomes, combined with the role of public actors in supporting such activities, incentives or initiatives influencing an investable impact market.

Through its research design of soft system methodology (SSM), this study uses SSM Step 1 to take an exploratory stance to address SQ1 and review the role of public actors. Here Chapter 4 outlines the institutional context, before Chapter 5 explore financial actors' interpretations of impact investing. Together, the chapters outline the actors and conditions present that could shape impact investing characteristics and influence project partners' responses and strategising.

This chapter is separated into the following sections:

- Section 4.1. The section examines overall trends and developments in Danish development strategy- and policy
- Section 4.2. The section describes policy initiatives that influence market conditions and roles for demand and civil actors within the institutional context
- Section 4.3. The section observes initiatives to leverage supply-side investment and the role of public-private actors
- Section 4.4. The section summarises the findings and key takeaways categorised in relation to the conceptual framework.

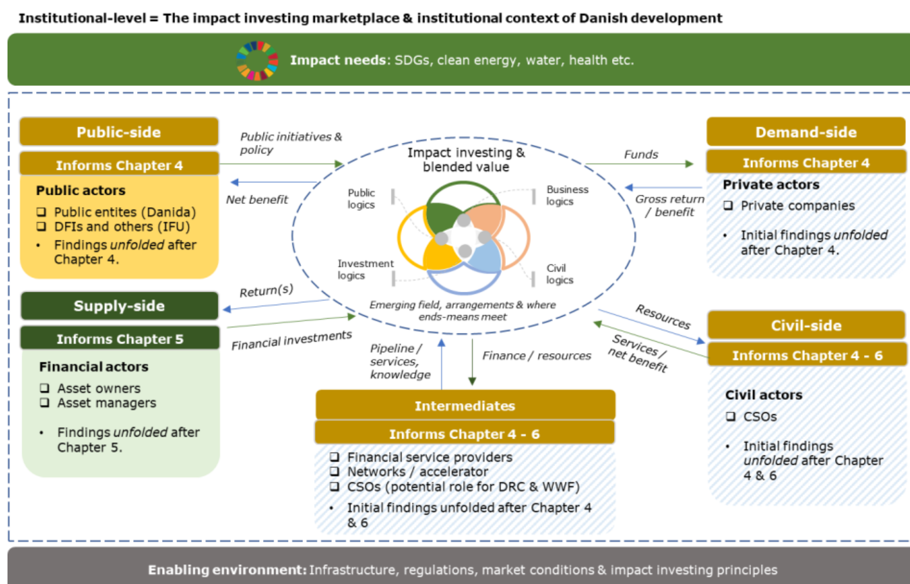

Figure 7 – The framework illustrates Chapter 4 focus on the public side and interlinkages to civil, demand, and intermediates.

4.1. TRENDS & DEVELOPMENTS

The following will explore trends in Danish development strategy and the changing role of Danida. One of those trends is the leveraging of financial investments to support development objectives. As quoted by former Minister for Development Cooperation, Ulla Tørnes (UM, 2018a)

> "(…) *We cannot meet the SDGs and lift people out of poverty without financial investment.*"

The quote was given during the launch of the Danish SDG Investment Fund in 2018. The public-private fund has over five billion DKK under management and includes a blended finance structure that merges capital from the public side with institutional capital from six Danish pension funds (UM, 2018a). The fund was emphasised as an example of the paradigm shift in Danish development strategy to leverage public-private partnerships to address challenges in developing economies (Ibid.). The fund uses blended finance, where 'soft' donor aid is used to leverage 'hard capital' from financial actors (Danida, 2016b). The public-private partnership gives financial actors an

appropriate risk-return investment opportunity while allowing public actors to leverage additional capital to gear donor aid towards development objectives (UM, 2017b). The public-private fund has a blended value purpose, where investments should address Danish development objectives and promote Danish know-how or market-based solutions, combined with delivering risk-adjusted returns to its investors' (Danida, 2019a, 2016a).

The launch of the SDG Investment Fund followed changes to Denmark's development priorities, where donor aid should act "*as a catalyst for investments, technology, innovation and solutions that create growth and brings along a more sustainable development*" (Regeringen, 2018 pp. 7) and leverage financial investments (Danida, 2017). The change from aid to investments was an integral part of Denmark's development strategy, World2030, which ran from 2017 to 2021 (Ibid.)[22]. As pointed out by Kjær (2020) and Engberg-Pedersen & Fejerskov (2018a), the strategy bought notable change as the gap between aid and investments was closed. As described by Engberg-Pedersen & Fejerskov (2018a), the changes were framed as a 'win-win' policy shift, as it was described how private- and financial actors had the "*knowledge, competencies and technology to solve sustainability challenges*" (UM, 2017 pp. 12). At the same time, emphasising the necessity of ensuring "*support from alternative sources of financing*" (Ibid. pp. 6). Here Danida emphasised the SDGs and development "*as opportunities to widen the field of commercially sustainable investments in the developing countries*" (Danida, 2017 pp. 31) and described the need to leverage financial investments that deliver "*substantial and measurable development impacts while at the same time generating a reasonable financial return*" (Ibid. pp. 31). Overall, the strategy breaks away from the idea that donor aid is reserved for grant-based development projects and civil actors (Kjær, 2020)[23]. Meanwhile, blended finance, public-private partnerships, and investments with blended value features are seen as new mechanisms to gear donor aid and enhance Danida objectives (Danida, 2017, UM, 2013).

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[22] *The World2030-strategy* was replaced in June 2021 by "*The World We Share*". The new strategy will *run from 2021 to 2025. However, the new strategy is outside the scope of this study, as it was released too late to be included.*

[23] *Scholars such as Kjær (2020), Engberg-Pedersen (2020), Ravnsborg (2019), Engberg-Pedersen & Fejerskov (2018) and Heldgaard (2018) have observed these changes to Danish development policy and strategy in recent decades.*

The change in strategy rests on Danida's own beliefs about future trends in the development context. While donor aid provides essential support to the least developed economies, Danida argues that it will have less effect in middle-income economies (Danida, 2017). Instead, policy initiatives and donor aid should be used as blended finance to leverage Danish demand- and supply-side resources (Ibid.). The shift indicates that Danida views financial and private actors as new development agents able to promote blended value (Engberg-Pedersen & Fejerskov, 2018). Involving new development agents can be seen as an organisational response from Danida to keep up with shifting trends in development priorities, as mentioned by Lis Rosenholm, former Deputy Head of Department for Sustainable Growth and Employment at Danida:

> *"We see the same political ideas running through shifting Danish governments or ministers, who share – somewhat – similar ambitions on this agenda. For example, the former Minister of Development Kristian Jensen* [from 2015 to 2016] *was noticeably clear that we too should be active in involving the Danish financial and private sectors. We also see it in international political agendas. If you look at the Addis Ababa agenda and the SDGs, it is clear that we must include the private sector and not just the donor aspect. We need businesses and private finance to reach our goals. It is important to remember that these ideas were set in motion not that many years ago. However, they have certainly created a new scenery for us."*

Like any other public actor, Danida is responsive to political aspirations. However, as OECD (2019) argued, development assistance brings extra layers of complexity because policy initiatives must consider domestic, international, and developing economy agendas. Increasing consensus in the global development community to leverage private- and financial resources to close the SDG funding gap of 2,5 trillion USD (UN, 2019) seem to influence Danida reprioritisation. As Engberg-Pedersen & Fejerskov (2018) mentioned, Danida has a history of involving non-traditional Danish actors (e.g., private, and financial) in development projects. However, the focus area has moved from the periphery to becoming central in Denmark's development strategy over the years, as shifting policy trends has, over time, changed Danida's priorities and organising. As noted by Lis Rosenholm, who comments on how Danida is to rethink its role and involve new development agents:

> *"For us, co-creation can merge commercial and development goals. (…) It developed new thinking for us on how to integrate investors and companies in development work. That thinking was initiated politically, which form the whole staging on how future development should be achieved".*

The manifestation of the policy shift and reprioritisation to leverage new development agents seem evident in the incentives initiated as part of the development strategy and its objectives, as explored in the following sections (Kjær, 2020). Danida's attention towards new development agents is driven by the opportunity to promote blended value by leveraging financial investments (and resources) aligned with development objectives while making better use of scarce public funds (Wood et al., 2013).

Furthermore, Danida policy initiatives may not directly self-identify with impact investing. However, promoting blended value plays a fundamental role in development strategy. As mentioned by Lis Rosenholm, who describes how Danida has taken notice of the emerging field:

> "(…) *We are very interested in impact investing. It is high on our agenda. When we look at the market, then we see great potential in supporting investors who target impact. We aim to support investors to invest more in development areas. The SDG Fund was a step in that direction. Despite not being perfect, it aims to address global challenges with private money.*"

As an emerging field and the institutional context of Danish development interact, it becomes relevant to observe how these fields interconnect. Combined with how Danida reprioritisation could support investable impact markets and project partners strategising. The following sections explore Danida's role in supporting initiatives and incentives which could benefit an investable impact market with development outcomes in mind.

4.2. PUBLIC INITIATIVES AND INSTRUMENTS

Market-based Partnerships and Private actors

Danida has a track record of financing business instruments to encourage Danish private, civil, and intermediate actors to participate in market-based partnerships (Engberg-Pedersen & Fejerskov, 2018). Here different business instruments have succeeded each other, going back to the following (ibid.):

- Private Sector Development Programme (1993 – 2006)
- Business-to-Business Programme (B2B) (2006 - 2011)
- Danida Business Partnerships Facility (2011 - 2014)
- Business Platform (2015 – 2017)
- Partnerships for Fair and Sustainable growth (2017 - present).

All instruments share similar features of supporting the Danish private sector to promote market-based solutions or encourage partnerships with civil actors (Kjær, 2020). Despite the long history, there is limited empirical evidence to show the success of Danida's business initiatives (Danida, 2019b). However, by mapping Danida's track record of business instruments, this study believes it is possible to gain insights into the *market conditions* influencing the demand and civil side, and the *diversity* of investable opportunities going into the marketplace.

From the B2B program and the Danida Business Partnerships Facility, Danida documented some success in stimulating demand-side projects yet showed limitations in "*creating sustained and commercially viable partnerships*" or meeting development objectives (Danida, 2014 pp. 12.) One conclusion was that actors were unable to scale due to market gaps. On the one hand, actors required additional non-financial support to operate in developing economies. While on the other hand, they lack access to early-stage appropriate funding and financial capital (Ibid.).

In 2015, a redesign of the business instruments toolbox helped launch the Business Platform to support Danish private actors and "*open up to new markets where they would otherwise not be likely to do business*" (Danida, 2015. p. 5). This raison d'être remains, despite the business platform changing its name to 'Partnerships for fair and Sustainable growth' with the adoption of the World2030 strategy in 2017 (Finansministeriet, 2020; 2017). As part of the World2030 strategy, Danida implemented new initiatives to stimulate the civil and demand side, as described in Table 13:

Instrument	Primary target group	Objective
Danida Market Development Partnerships (DMDP)	Civil- and private actors	To promote partnerships for sustainable market development. These partnerships encourage co-creation between civil- and private actors to build solid business cases addressing development challenges (Danida, 2017b).
Partnering for Green Growth and the Global Goals 2020 (P4G)	Civil- and private actors	Like DMDP, the instruments support partnerships that can deliver market-driven solutions within key sectors (P4G, n.d.)
Danida Innovation & Business Explorer	Private actors	The instruments provide funding to private actors to investigate and enter new markets in developing economies. The aims are to support solutions contributing to achieving the SDGs (Danida, n.d.)

Table 13 – Overview of Danida business instruments

Engberg-Pedersen & Fejerskov (2018) argues that the history and scale-up of business instruments are evident of public incentives to stimulate new resources and underline that the private actors should also benefit commercially from donor aid. Although the percentage of funds allocated to leverage private actors remains relatively modest compared to other Danida activities, the initiatives illustrate that new development agents are central to achieving blended value (Kjær, 2020).

Demand-side & impact investing marketplace

Danida's efforts to promote the demand side could provide a pipeline of investment opportunities. The nature of Danida's business instruments to support projects that address development challenges could overlap with financial actors targeting blended value (Roundy, 2019). In literature, the lack of high-quality investment opportunities is often cited as a recurring issue that limits the impact investing marketplace (GIIN, 2019b; Arena et al., 2018; Schwarts et al., 2015). For example, as financial actors' interest in impact investing grows, the pipeline of investment-ready deals has not kept pace. In the GIIN annual survey, 42% of respondents indicate that lack of deals is a significant barrier (2020). This issue is seemly compounded in developing economies,

as a weak pipeline of investable projects halts impact investments from coming in (WEF, 2019, GIIN, 2019b)

Particularly, limited access to early-stage funding limits the pipeline, as demand-side actors need access to different pools of capital to move from idea to scale (WEF, 2015). According to Dalberg (2020), GIIN (2019b) and WEF (2019), early-stage funding is particularly limited in developing economies, where demand-side actors struggle to scale, which creates backlogs and fewer investable opportunities. Moreover, a report from the project partner, Access2innovation, concludes that Danish demand-side actors face similar early-stage funding gaps, as domestic business instruments cannot build an investable pipeline of demand- and civil side projects (2020).

Current conditions could indicate that access to investable opportunities could be an early-stage barrier for financial actors exploring blended value (Danida, 2019c). As will be explored in Chapter 5, as more Danish financial actors adopt impact investing strategies, the need for access to a pipeline of diversified deals will increase. Overall, the characteristics of the marketplace depend on how actors mitigate and perceive these barriers when adopting impact investing practices.

Shifting role of civil actors

The incentive of partnering civil and private actors to promote sustainable development is repeatedly mentioned in the World2030 strategy (Danida, 2017). For example, the strategy mentions how civil actors are "*increasingly partnering with businesses and promoting sustainable private investments*" (pp. 13) and should use their traditional role as development agents to catalyse market-based activities (Ibid.) As mentioned previously, the promotion of market-driven partnerships is key in several of Danida's initiatives.

As part of the World2030 strategy, Danida also introduced the Strategic Partnerships Framework, which describes the alignment between Danish development and the role of civil actors (2017b)[24]. The framework between Danida and civil actors replaced

[24] *As part of the implementation of Denmark's development strategy, Danida entered into 4-year strategic partnerships (2018-2021) with 16 Danish CSOs, including the project partners of WWF-DK and DRC. As part of the framework, Danida allowed civil actors to use up to 10 % of their grant on innovation. It allows working with new strategic partners to test and develop new technologies and partnerships to find more effective solutions to urgent humanitarian challenges.*

several development modalities. Instead, the framework selects 16 Danish civil actors to engage in a 4-year strategic partnership with Danida, aiming to strengthen the *coherence* and objectives of donor aid by strategically selecting partners who could increase development outcomes. The partners were evaluated in their capacity to improve Danida objectives, but also on their ability to engage private and financial actors to "*develop new solutions, promote synergies and scale up the impact of Danish assistance* (…) *to draw on a broader spectrum of the Danish resource base in terms of knowledge, expertise and technology*" (Danida, 2017b pp. 42). The framework encourages civil actors to rethink their role with other sectors and use the funding to innovate, and invest in, market-based partnerships (Ibid.). Partnerships between civil, private and financial actors were envisioned to create more long-term self-sustained development outcomes (Danida, 'Note on market-based partnerships', n.d.).

Similarly, the framework encourages civil actors to rethink their role as development agents (Danida, 2017b). The Strategic Partnerships Framework introduces a significant change in the institutional context for Danish civil actors, including project partners, as it created incentives to explore new roles. For example, Danish Red Cross used parts of its strategic partnerships funds to initiate a strategising process to begin pilot-testing new blended value mechanisms for humanitarian relief aid (as explored in Chapter 6). (Magasinet-360, 2020).

The framework agreements seem to be a part of Danida's strategy to rethink the role of development agents. Besides promoting Danish private actors to seek opportunities in developing economies, the role of civil actors as intermediate able to promote new forms of partnerships is part of that objective (Danida, 2017b). As reflected by Lis Rosenholm, who describes Danida's visions to introduce new market dynamics and partnerships:

> "*So, what do the strategic partnerships mean in practice? Well, politically, the agreements were seen as a win-win* (…). *If we could involve more Danish partners, both civil and private, we believe more resources would drive better development outcomes. The World2030 helped launch some important initiatives and rethink the role of NGOs, companies, or pension funds. With the World2020, the new focus was on identifying Danish interest. Mobilise new partners and mobilise more money.*"

Through the framework, Danida creates policy incentives for civil actors to rethink their roles and strategies. Accordingly, shifts in the development context motivated project partners to review their role, while responding to new challenges and opportunities (as explored further in Chapter 6).

Civil actors & impact investing marketplace

The World2030 strategy and Strategic Partnerships Framework outline civil actors' many roles in partnering with private or financial actors. Through their long history as development partners, Danida acknowledges civil actors' local perceptions, competencies, and capacity as intermediates for new development agents. Notably, the Strategic Partnerships Framework encourage civil actors to design new program strategies to widen the field of investing or partnering for blended value. In an impact investing marketplace, forming new specialist intermediates who can match investments or co-develop opportunities are key elements (Diouf, 2015; Jackson, 2013). Here Mogapi et al. (2019) discussed how a limited number of intermediates with specialised impact investing knowledge to operate in developing economies could limit marketplace *diversity*, as the lack of intermediation leads to complex investment deal structures, high transaction costs and few exit options. Here supply- and demand-side actors will benefit from more specialised intermediates, who can match investable opportunities in developing economies (McCallum & Viviers, 2020).

For example, Danish civil actors could be poised to play an essential intermediate role as envisioned by the World2030 strategy. In doing so, WEF (2019) argues that civil actors would need to build the organisational readiness to scope, co-develop and manage blended value. Despite progress, civil actors have a limited track record of co-developing or executing investable projects (Ibid.). Playing a new role in impact investing would depend on civil actors building new *institutional means* (e.g., investment practice, knowledge, and resources) that blends with core *institutional ends* (values, impact logics and goals). Here Fejerskov (2020) reviews how Danish civil actors still need to align their work strategically around core priorities and become specialised before taking on their new envisioned roles.

Despite Danida's incentives, there is limited insight into how civil actors' respond to these changes or adopt *institutional means* that allow them to fill the intermediate role. In Chapter 6, this study explores how project partners, Access2innovation,

World Wildlife Fund - Denmark, and Danish Red Cross adopt new practices in response to shifts in the institutional context.

4.3. MOBILISING INVESTMENTS FOR DEVELOPMENT

As Denmark's development finance institution (DFI), the Investment Fund for Development Countries (IFU) plays a central role in Danish development policy and strategy (Engberg-Pedersen, 2020, Danida, 2017c). Under its mandate, Danida describes IFU as an essential public-private sector component to mobilise investments from other Danish private and financial actors. In the World2030 strategy, IFU primary purpose is to stimulate investments that support sustainable growth in developing economies and contribute to the SDGs (Danida, 2017c). Here a key aspect relates to "*mobilise large-scale private funding, including from pension funds, foundations and businesses*" (Ibid p. 3). As reviewed in the following, IFU has been awarded an expanding category of instruments and management of investment funds in recent years. This gives them a unique role in the institutional context to mobilise financial investments and support an investable impact market.

IFU's prominent role can be seen through the inflow of public funds to strengthen activities. In recent years, these funds have been earmarked for high-risk impact investments, meant as concessional finance to leverage additional financial investments towards impactful projects in the least developed economies (IFU, 2020; 2019a). In its portfolio, IFU has a toolbox of investment funds and business instruments at its disposal. Here Table 14 gives an overview of public initiatives to leverage the supply-side:

Tool Type & Size	Objective	Aim
The SDG Investment Fund Fund: 4,85 BDKK	Invest in strategic sectors that support the achievement of the SDGs (IFU, 2019b)	The funds have four shared features: ▪ *Promote sustainable growth within their mandate.* ▪ *Deliver an attractive risk-adjusted return.*
Climate Investment Fund Fund: 1,2 BDKK	Invest in sectors that contribute to reducing climate change and promotes Danish climate technology. (KIF, 2019c)	

Agribusiness Fund- Fund: 700 MDKK	Invest in agricultural projects and the value chain to promote Danish technology and know-how.	▪ *Invest in low-income or developing economies.* ▪ *Support the transfer of Danish technology.*
IFU Classic Instrument: N/a	Invest in high-impact development projects, SME investments and high-risk projects (Danida, 2017c)	The instruments also share similar features, relating to: ▪ *Promote the preparation of bankable investment and high impact.* ▪ *Support Danish SMEs* ▪ *Provide technical assistance to increase the success rate.*
Danida Business Finance Instrument: 500 million DKK	Provide 'soft loans' to project development in infrastructure and leverage investments (IFU, 20167)	
IFU SMV Facility Instrument: 50 MDKK	Provides support and co-invest in project start-up of Danish SMEs (IFU, 2020)	

Table 14 – Summary of IFU toolbox of investment funds and business instruments

The ability to manage financial- and development impact for DFIs is discussed by Mogapi et al. (2019), who argues that institutional complexity and the prevalence of *investment logic* make DFIs divert towards safer markets to conform with risk-return expectations and maintain status as a *legitimate* partner for institutional capital. The tensions between being a *legitimate* investment partner and commitments to serve development outcomes could form tensions, as IFU needs to remain profitable while balancing public mandates. The earmarking of high-risk impact investment funds by Danida is an incentive to ensure IFU maintains its overall mandate of delivering development outcomes in lower-income economies (Danida, 2019d). An incentive reflected on by Lis Rosenholm, Danida, who comments on the use of earmarked funds:

> "*We have made some initiatives to make IFU think a little broader and perhaps take on more risk. For example, funds for high-impact investing. It is new that funds are earmarked in this way (…). If you look five years back, only small amounts were used for such investments. It was not something you do a lot. (…) We needed to balance IFU thinking to also look towards more impact. We can use funds to guide IFU in that direction. This is a new logic to how we can use funds. It is something that is becoming more mainstream.*"

The need to earmark funds could compensate IFU activities to achieve a more significant development outcome. For example, Danida argues that while IFU has proven its ability to fundraise public-private funds, such as the SDG Investment Fund, these co-financing models have limitations (Danida, 2017c). As there are "*areas where the targeting of certain SDGs, i.e., social sectors, IFU's risk profile, and pursuit of strategic national interest (…) will not be well aligned with the needs and preferences of institutional investors.*" (Ibid. p 4). An evaluation study also points to IFU pivoting its role, from being an investment partner for the Danish demand-side to becoming a fund manager for institutional capital (Danida, 2019c). A changing role expressed by Ib Albertsen, Senior Investment Manager at IFU:

> "*We have had statistics and surveys of our historical archive. A few years ago, about 50% of our portfolio was in SMEs and partners with an average investment of five MDKK. (…) Our success rate was a loss, or at best, break-even. The reason we survived was that we also had large investments. Which meant we could afford to deal with smaller investments. However, we needed to ask ourselves, if its fair that IFU has to request funds each year because we cannot remain profitable?. If we have to continue making smaller investments, then that is a political decision. However, that is not an option with our current mandate. So we change focus. Instead of shooting with a shotgun and making many small investments, we moved to a precision rifle and picked big investments. (…) it is important to remember that our mandate is not only to take a disproportionate risk but also deliver returns to our investors.*"

To remain profitable and balance their portfolios, IFU pivoted towards institutional capital and making investments deemed safer. The limited success rate in smaller investments, combined with the need to mobilise institutional capital, could influence the role, type of projects and co-investments that IFU can support in an investable impact market. Here the institutional complexity and tensions that arise from meeting development objectives and institutional requirements can be seen in the current incentive structures that govern IFUs work. For example, IFU is a public-private organisation built to deliver on its public mandate (*impact logics*). Meanwhile, IFU must manage investment funds that cater and are *legitimate* to institutional investors (*investment logics*), with impact logic being complementary. These tensions were addressed by Ib Albertsen, Senior Investment Manager at IFU, concerning the SDG Investment Fund:

"*IFU is composed of different funds. With the latest being the SDG Fund of five billion DKK. If you have five billion DKK, then that money has to be invested within a short period. Remember, five billion is a lot, and its investors are the pension funds. They expect that their money goes towards some solid business cases that provide decent returns. IFU also risks its own money, and we need to allocate it to places that make sense.*"

Another example of tensions is seen in the initial conceptualisation and later fund-raising of the SDG Investment Fund. During initial conceptualisation, IFU and Danida designed a joint concept note which documents the setup, policy framework and development objectives (Danida, 2019c). For example, the initial concept notes describe how the SDG Investment Fund should contribute to *"the creation of about 30,000 direct jobs"* or *"comprehensive reduction of greenhouse gas emission from sustainable energy investments*" (Danida, 2016c pp. 6). Building on the concept note, IFU then seeks to fundraise institutional capital by structuring a Private Placement Memorandum, a legal document for prospective investors. However, in the memo-randum, features of development objectives are omitted. Instead, statements focus on IFUs ability to provide a "*balanced risk profile and attractive financial returns*" (Danida, 2019c, pp. 105). IFU seemly deviate from development objectives to gain *legitimacy* and access to institutional capital. The tensions are noted by Lis Rosen-holm, Danida, as she describes the process to fundraise the SDG Investment Fund:

"The process started back in 2015 – 2016, where skilled people began structuring the fund. However, the talks had some ambiguity to them (…). When talking about investment and development, there can occur a certain trade-off. The question is, can you both maximise development and return? You probably can-not because then it would almost certainly already have happened. Then you need to ask, how should the fund be structured and what trade-off are we willing to accept from the public side to make it succeed."

The embeddedness towards investment logic meant IFU and Danida needed to com-promise, as finding a balance between public- and impact logic combined with cater-ing to institutional capital and investment logic is challenging. For Danida, develop-ment objectives had to play a complementary role to give future *legitimacy* to invest-ing in developing economies. As further clarified by Lis Rosenholm (ibid.)

"It is a question of politics and making compromises. For us, it was about start-ing a movement and commitment that investors could not withdraw from.

However, I agree that the Fund is not ideal (…). It is not the ultimate end product because it is a compromise. Some believe the fund should focus on certain areas, while others pulled the other direction (…). It could be interesting to hear the pension funds today. What difference has their commitment made for them? What investments are they making today that they did not make three years ago? Investing in development and ensuring returns is also a learning journey for them. One thing is that a CEO stands up and says something publicly. Another thing is to make real investment commitments".

The quote shows two elements: Firstly, Danida incentives are to bring new development agents on board able to contribute to *public institutional ends* (goals of supporting developing outcomes and purpose) and use *institutional means* (resources of public funds) to attract institutional capital that would otherwise not flow towards developing objectives without the public involvement. Secondly, Danida needs to compromise to foster new financial ventures, track-record, and *legitimacy* to attract investments with blended value with developing outcomes in mind.

As public actors, Danida's role is to support initiatives that lay the groundwork to foster future *legitimacy*, co-investments, and *incentives* to invest in developing economies. As concluded by Lis Rosenholm, as she describes the ambitions to contribute to a marketplace building on blended value and impact investing principles:

"If we have been successful, then the market does not need government support for a new SDG Fund. Then the market has converged around and signed the impact principles [IFC Impact Management Principles], *which gives us better standards. While allowing us to work across impact and returns".*

This could indicate that Danida has the ambition to make impact investments for development. Here the overlaps between Danida's ambitions and Danish financial actors' interpretations towards impact investing for development will be further explored in Chapter 5.

Public supply & impact investing marketplace

As documented by Wood et al. (2013), public initiatives, such as Danida's support of the SDG investment fund, high-risk impact investments and impact principles, could profoundly influence the emergence of impact investing. In the institutional context of Danish development, Danida and IFU play a key role in convening other actors

around specific issues, incorporating impact principles into future co-investments, or creating *legitimacy* around investing for blended value.

Through its investment funds, IFU has successfully attracted institutional capital. Here, IFU provides incentives to other financial actors to co-invest in opportunities with – as of now complementary - development objectives. Furthermore, IFU signing up to IFC Operating Principles for Impact Management in 2019 could also create further legitimacy in investing for development (IFU, 2019d). In IFU annual disclosure, it describes how "*new investments are guided by a set of impact priorities that steer the selection*", combined with its ambitions for "*IFU to become a best-in-class impact investor*" (IFU, 2021 pp. 3). This could also enhance Danida's ambitions of creating *legitimacy* around investing for development, combined with IFU potentially deviating from *institutional ends-means* of investment logic.

However, IFU ability to conform to *institutional means* balancing investment- and impact logic is yet to be seen, as the organisation acknowledge that impact principles have not fully matured (Ibid.). As mentioned, IFU seemingly struggles to balance its public mandate with *legitimacy* concerns from institutional investors. On the one hand, IFU needs to create large scale investments and risk-adjusted returns for its investors. While on the other hand, still accommodating to its public mandate of investing high-risk capital in less developed markets and smaller Danish-based projects. As of now, Danida acknowledges that IFU's current *institutional means* and the preferences of institutional capital do not necessarily align with specific development objectives (Danida, 2017d).

Similarly, despite being allocated more high-risk funds, IFU is still facing challenges. For example, the IFU business instrument, Danida Business Finance, is designed to support project development and pipeline capacity-building. However, IFU still acknowledges the lack of investable projects due to "*inadequate project development capacity and experience, and a challenging business environment in many developing countries*" (Danida, 2019c). Moreover, IFU business instruments could create a pipeline of future investable impact cases. Despite its toolbox to support Danish demand-side actors, IFU has had limited success in supporting smaller projects. For example, an evaluation study concluded that IFU remains unsuccessful in supporting early-stage investments in private actors (Ibid.). A conclusion that fits with IFU own

experience as limited success with smaller investments forced them to pivot towards institutional capital.

Overall, Danida and IFU could lay the groundwork to attract additional capital – either impact investing or other – to development outcomes by supporting policy initiatives, co-investments and new intermediaries promoting blended value. However, the shortage of future investable opportunities could halt capital from coming in as a weak pipeline cannot meet demands.

The overlaps between the institutional context of Danish development and the financial actors' interpretations of impact investing are further explored in Chapter 5. As this study explores how certain segments of Danish financial actors could match different development objectives.

4.4. SUMMARY OF FINDINGS FROM THE CONTEXT

The following outlines the findings emerging from Chapter 4, as seen in Table 15 to:

Theme Key terms	Public actors - Findings
Impact investing principles ▪ Intent, contributions, measurement ▪ Impact & real-world outcomes ▪ Actors' motivations ▪ Organisational characteristics	▪ Danida's seeks to leverage financial investment with blended value features and is motivated to mobilise new development agents to gear donor aid towards development outcomes. ▪ Danida seeks to leverage financial investments and build momentum behind investing for development outcomes. ▪ IFU is adopting impact principles and provide co-investing opportunities for institutional investors to build learning on impact investing practice.
Marketplace framework ▪ Actors ▪ Enabling environment ▪ Diversity, Coherence ▪ Coordination	▪ Policy incentives seek to promote new roles for, e.g., civil actors, co-creation and potential investable pipeline on the demand side. ▪ Efforts to build an investable impact market in development appear to be converging. ▪ Danida seeks to incentivise and increase the diversity of actors by providing co-investments (e.g., the SDG Fund), supporting new intermediates, advocate for blended value, and encouraging co-creation. ▪ Danida is willing to trade-off development objectives to create track-record investing for development.

	▪ Policy initiatives seem to struggle with stimulating the demand-side and readiness for civil actors.
Institutional theory ▪ Institutional ends-means ▪ Logics ▪ Prevalence of logics ▪ Fields ▪ Institutional arrangements / complexity / legitimacy ▪ Organizational Responses	▪ Through public logic, Danida uses donor aid and incentives to shape arrangements for all actors. ▪ IFU is an important tool to merge public- and investment logic. The prevalence of investment logic makes IFU pivot towards institutional capital to remain legitimate and profitable. ▪ Complexity arises between investment logic and development objectives, which result in trade-offs for IFU as it seeks to balance public mandate and risk returns. ▪ Danida is willing to compromise on public logic to build legitimacy around IFU and balance development- and financial ends.
SAP ▪ Practice ▪ Motivations ▪ Types of activities ▪ Actors ▪ Interactions ▪ Strategy-making / objective	▪ Policy incentives and shifts in context could influence project partners responses and strategy-making to remain a relevant development agent.

Table 15 – Summary of findings from Chapter 4

Given the above, Chapter 5 explores Danish financial actors interpretations, motives, and practices towards impact investing.

*"Investor impact is about **causing change** – not about owning impactful companies."*

Heeb & Köbel (2020 pp. 5)

CHAPTER 5 - IMPACT INVESTING IN DENMARK

The chapter aims to present the second part of the analysis by focusing on the Danish supply-side (see the scope highlighted in yellow in Figure 8). This study maintains its institutional-level view to consider supply-side actors' interpretations, motives, impact investing practices, and perceptions of barriers to the marketplace. Through its research design of soft system methodology (SSM), this study maintains SSM Step 1 exploratory stance to address SQ1 by describing the marketplace and its characteristics. Here Chapter 5 is separated into the following sections:

- Section 5.1. The section briefly revisits the conceptual model and terms used to explore the marketplace, its actors and impact investing.
- Section 5.2. This section categorises supply-side actors according to their interpretation, motives, and practice of impact investing through interview data segmentation to help structure the analysis.
- Section 5.3. The section explores how different categories of actors construct impact investing. The section describes each category of actors and their definitional interpretation of impact investing.
- Section 5.4. The section explores supply-side actors' motivations to participate in the marketplace. This relates to their rationale for engaging with impact investing practice.
- Section 5.5. Next, the section explores how actors adopt impact investing practice. This relates to how actors implement investment strategies.
- Section 5.6. The section outlines actors' perceptions of barriers to participating in the marketplace and explores interlinkage between them.
- Section 5.7. The section reviews findings and explores connections to the Danish development context, as described in Chapter 4.
- Section 5.8. The section summarises the findings and key takeaways categorised in relation to the conceptual framework.

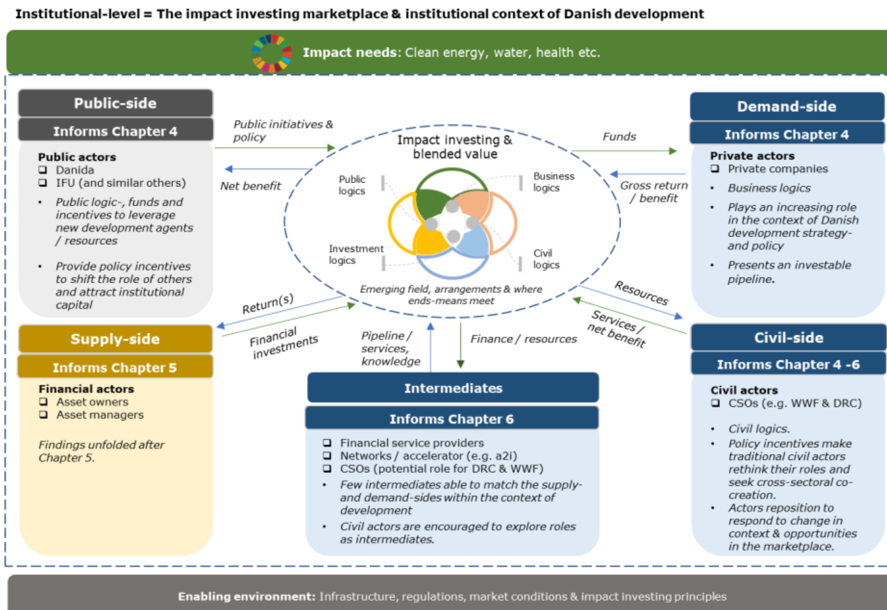

Figure 8 – The framework illustrates Chapter 5 focus on the supply-side.

5.1. THE MARKETPLACE & USE OF THE CONCEPTUAL FRAMEWORK

This chapter draws on the conceptual framework described in Chapter 2 to characterise the Danish supply side. The following will briefly introduce how marketplace diversity and institutional theory will apply.

The nature of institutional arrangements and the degree of complexity facing actors are influenced by the structure and organisational fields within which they are located (Greenwood et al., 2011). As mentioned in Chapter 2, scholars have examined how impact investing strategies often evolve in an emergent institutional field that combines impact and investment logic to achieve blended value (Lehner et al., 2018; Nicholls, 2010). Scholars such as Hanngian & Casasnovas (2020) and Hinings et al. (2017) have documented how impact investing has experienced significant growth, yet still showcase features of an emergent field with limited institutional arrangements and unclear boundaries.

Similarly, Castellas et al. (2018) believe that impact investing involves activities that organise institutional complexity, as it combines multiple logics, values spheres, identities, and organisational characteristics that strive to achieve blended value. This follows that impact investing combines investment logic based on values of profit maximisation (i.e., driven by value capture), combined with impact logic (i.e., driven by value creation) (ibid.). Breaking down these dual-logic aspects into institutional *ends* (values, motives, goals) and *means* (e.g., practice, fiduciary constraints, risk-return criteria, ownership, and expertise) may reveal the conditions where logic is incompatible or complement each other (Yan et al., 2019). As described in Chapter 2, the principles of impact investing rely on actors' intent to contribute to specific real-world outcomes across a given level of risk-return. Moreover, the extent to which the Danish supply-side can adopt these principles will depend on their organisational characteristics and response to institutional complexity.

In order to better understand the conditions shaping the marketplace, this chapter outlines the diversity of supply-side actors (Roundy, 2019). Marketplace diversity can take many forms, yet it aims to observe the various actors involved and investment strategies deployed (Ibid.). Although impact investments seek a financial return on capital, the range of returns and motivations can vary. Some actors are willing to accept below-market returns if investments generate positive real-world outcomes (Clark et al., 2015). Other actors design their impact investing strategies to maximise financial return, in addition to impact (Lehner & Brandstetter, 2017). Lastly, others might combine below- and market-rate investments under an investment portfolio (ibid.). All actors will operate within the same marketplace and take different paths to organise blended value.

The diversity in the marketplace will depend on actors' characteristics, the sophistication of strategy adoption and motives to investing with impact. Accordingly, Roundy (2019) argues that when the diversity of actors improves, the marketplace will benefit from:

- Actors target different impact needs, from specific areas (e.g., healthcare or poverty in developing economies) to broad areas (e.g., the SDGs)
- The range of strategies pursuing various investment stages. From investing in start-ups to large-scale portfolio strategies (e.g., involving funds-of-fund, public equity, infrastructure)

- More actors able to contribute with expertise, resources and added value
- Increase the range of actors seeking co-investment opportunities and have various risk-returns constraints.

Understanding diversity reveals the sets of strategies and practices that characterise the marketplace.

The following section will categorise the Danish supply-side actors interviewed for this study. The categorisation will help this study structure and frame the analysis.

5.2. THE MARKETPLACE IN DENMARK – THE NEXT WAVE OF GROWTH

> "*The impact investing market will be the next wave of growth—no doubt about it. Impact and returns will be a natural part of investors license to operate* (…) *We see it as our duty to support that agenda because impact investing is a natural extension of how we want to see ourselves and what society demands. However, we have only - and I mean only - just started that journey.*"
> Danish foundation, (anonymous)

Overall, the quote illustrates the excitement expressed by many financial actors during interviews. As clarified in the following sections, even though actors expose variations in interpretations, motives and practice influencing their participation in the marketplace, the participants show consistencies regarding increasing awareness and momentum 'driving' their engagement with impact investing. This extended from, e.g., asset owners (family offices, HWNIs and foundations) to asset managers (private wealth managers, banks, advisors, and pensions funds) working with impact-oriented strategies. Despite actors pursuing opportunities, it was also clear that most viewed the marketplace in Denmark and their practice as nascent. With both asset owners and managers only just beginning to re-orient themselves towards the field.

Accordingly, actors seek to navigate the marketplace from various point-of-departures, therefore, to outline market *diversity* and conditions influencing institutional arrangements, this study interviews a wide range of Danish supply-side actors to understand how institutional ends-means vary. Not only within the marketplace but among types of actors (e.g., family offices *contra* pension funds). Based on the

interpretation of data collection and conceptual framework, this study has broadly categorised supply-side actors depending on:

- Their definitional interpretation of impact investing
- Motives and worldview(s) of the marketplace
- The adoption of impact investing practice.

Here Table 16 provides an initial overview of observations made by categorising actors from Type A to C given their interpretation, motives, and adaption of impact investing. The categories help avoid too much generalisation and provide a more nuanced and structured approach to characterise the impact investing marketplace. However, it is important to stress that no category is better or worse than the other. It is merely to bring forward perceptions and practices of impact investing in Denmark. Using the categories to structure the analysis, the following begins by section outlines actors' interpretations.

	Type A
Types	▪ **Primarily:** Asset owners: (e.g., family offices, HWNI, foundations) ▪ **Also include:** Few examples of asset managers. (banks, private wealth)
Category	▪ **Impact**: Actors aims to achieve value-alignment and generate real-world outcomes via. investing. ▪ **Practice**: Actors experiment with below- and market-rate returns strategies to achieve deep-level impact. ▪ **Institutional settings**: Investment and impact logic complement each other. There exists a low prevalence of the investment logic, with actors being open to new considerations of investment practice.
Description	▪ Actors are open to considerations in practice. Meanwhile, institutional ends-means should align investments with values or generate real-world outcomes. ▪ Overall, asset owners believe that impact investing should align with their individual values. Furthermore, asset managers believe impact investing should be generating tangible real-world outcomes. ▪ Actors display impact intent or purpose driven. Actors use values to inform capital allocations and financial considerations. ▪ Most actors seek market-rate returns and deep-level impact. Few actors accept below-market returns, while most accept higher risks to achieve real-world outcomes.

	Type B
Types	▪ **Primarily** – Asset managers (Private wealth offices (some) banks). ▪ Also include Asset owners: (e.g., some foundations)
Category	▪ **Impact**: Actors aims to ensure investments align and address broad social- or environmental areas (e.g., SDG-aligned investing). ▪ **Practice**: Actors seek market-rate returns and experiment with broad-level impact based on experience from SI strategies or traditional investment practice. ▪ **Institutional setting**: Investment logics are governing, as impact logics only complement or assimilate risk-return considerations. There exist a moderate- or high prevalence of investment logic.
Description	▪ Actors are motivated by market demand to align assets with social- or environmental areas. Practice is transferred from SI strategies and builds on financial considerations. ▪ Asset- owners and managers observe impact investing through institutional means (e.g., fiduciary constraints). In impact investing, actors seem to lean on investment logic when adopting the practice. Actors can deviate if impact complements risk-returns parameters or gives a competitive edge in the marketplace. ▪ Given the clarity of investment logic and fiduciary constraints, actors define impact in broad terms.
	Type C
Types	▪ **Primarily** – Asset managers (Pensions funds).
Category	▪ **Impact** Actors align investment with portfolio norms within broad social or environmental areas. Some view impact as output rather than a strategy. ▪ **Practice**: Actors have conservative risk-return characteristics, which influence the type of investments and strategy being made. ▪ **Institutional setting**: Investment logics are dominant. Impact logics need to be viewed through the context of risk-return.
Description	▪ Actors have a similar stance as Type B. However, **actors have a more 'conservative' investment strategy** and view impact investing through the context of a diversified portfolio, meaning investments must comply with their organisational characteristics and institutional means (e.g., fiduciary constraints). ▪ Some view impact not as a stand-alone strategy but output generated from investments. Actors aim to interpret how to manage impact due to a responsibility standpoint.

Table 16 – Overview of Type A to C given their interpretation, motives and adaption of impact investing

5.3. FINANCIAL ACTORS' INTERPRETATIONS TO IMPACT INVESTING

Before exploring the actors' motives or specific strategies, it is important to establish how they interpret impact investing and its principles. Here Findlay & Moran (2018) argue that impact investing is still under-institutionalised with blurred boundaries to other SI strategies that lead to confusion. These boundaries can be 'translated' differently depending on actors' institutional ends-means (Yan et al., 2019). To contemplate, each interview started by asking actors – from Type A to C – to reflect on impact investing and the concept of *investing with impact* in relation to other investment strategies. Hence, all actors were asked to consider the initial question, "*what exactly is impact investing?*"

From interviews, it became clear that the meaning of impact investing is not always well-constructed and often viewed through actors' organisational *characteristics* or institutional *ends-means*, and not by referred definitions from, e.g., GIIN or IFC (as described in Chapter 2). Overall, the answers shared some features, however, the range of explanation to what impact investing encompasses – or what it does not – was observable. Accordingly, regarding the actor's consideration of impact investing, two types of responses were often given:

1. Some actors expressed an initial hesitation – reflected in the typical response of "*now see, that is a good question* (…)" or "*I believe that it to be* (…)", followed by uncertainty about the precise definition, overlaps to SI-strategies or lack of reference to its defining principles. With actors speaking in broad terms to express what impact investing encompasses.

2. Others referred to key principles of impact investing or its real-world impact properties. At the same time, they were using practical examples to illustrate their interpretation and adjust the term to their specific worldview. For example, how it could align with their personal- or organisational *ends* or using examples from their investment portfolio.

In the review of interviews - from Type A to C – actors emphasised different principles, themes, or perspectives that interlink with their classification as asset owner- or manager. Hence, actors emphasise either 'impact' or the 'investment' aspect depending on their characteristics, motives and the organisational prevalence of impact or

investments logic. This could indicate a challenge of having common interpretations in the marketplace, as notably, the term 'impact' and its importance alongside risk and return was often debated by actors and translated differently depending on their worldview(s).

The range in interpretations will be explored in the following, where the sections will outline Type A to C actors views on impact investing.

5.3.1. TYPE A – INTERPRETATIONS

Type A – asset owners

Overall, Type A - asset owners seem to emphasise impact-intent and value-alignment when reflecting on impact investing principles. Here impact investing was described as a distinct strategy that enabled asset owners to reflect on or contribute to their values as individuals or organisations. Their impact intent was a representation of values and became a 'lens' to narrow the investment universe to either specific themes, sectors or geographical areas. For actors, impact investing should be resonating with their institutional *ends* (values, motives, and goals). As initially expressed by Anne Grete Lysgaard, asset owner and founder of the family office Peder & Vitta Holding A/S, when asked to define impact investing:

> "*So, for me* (…), *it is about being as green as possible* (…) *it is a question of making a difference.*"

Similarly, examples can be highlighted from Martin Nygaard Christoffersen, CFO at Færchfonden, a Danish foundation and by Peter Haahr, CFO at Novo Holdings, the holding company of Novo Nordisk Foundation:

> "*That is a good question because there is no clear definition* (…). *We have separated our investments into two categories. One category is our traditional investment, which is market conformed. This category is financially oriented; that being said, we are looking to pivot it towards ESG- and more impact* (…). *The other category is our purpose-driven investments, which should create opportunities, jobs, and growth in Northwestern Jutland.* (…) *This is because we want to make a difference in our region.* (…) *This is what we would call impact investing.*"

"I think that you will get many answers to that question. Because it is not well defined, and in practice, it is challenging to implement. Suppose you imagine an investment spectrum where you, on the one end, only focus on returns. Forget about impact; you have to make returns. On the other end, you have philanthropy. In between, there are several options. E.g., you can exclude specific sectors or make norm-driven investments (…). *You can also start making investments with an impact purpose, where you want to promote an area that makes sense for society and your organisation.* (…)

The quotes try to distinguish certain principles that actors believe defines impact investing. Here actors used no direct references to any acknowledged impact investing definition. Instead, when reviewing the interviews, there are certain differences in how actors interpret impact investing. For example, Anne Grete Lysgaard's quote represents her values as she discusses their family visions of aligning investments with a more explicit purpose. The same applies to the Færchfonden, who allocate parts of their investment portfolio to align with the foundation's vision and mission. Similar, Novo Holdings sees impact investing as an opportunity to promote specific areas with social or environmental benefits, which they as an organisation has defined as valuable.

The quotes draw casual links between their worldview(s) of what 'impact' encompasses and implies. At the same time, translating 'impact' into a more personal- or organisational definition of what investments should strive to achieve and how values should inform capital allocation. As mentioned by Peter Haahr, CFO at Novo Holdings:

"It is interesting. Over the spring, we will try to find out who we are, our history, our DNA. Based on this, we will try to figure out how our investments can impact the world. The impact should preferably be close to the core of who we are and what we wish to achieve. (…) *By defining our impact, our investments get a purpose, preferably within themes that we are knowledgeable about."*

The quote from Novo Holdings (and the other Type A actors) shows the compatibility between their understanding of impact investing and its interlinkages to values. For example, Novo Holdings' initial considerations were to use their assets to promote MedTech companies and research areas that align with their corporate traditions within life science and positively impact society. As further elaborated by Peter Haahr:

> *"(…) We have established the Repair Impact Funds, where we wish to allocate more than 1 billion DKK to companies who research antibiotics (…) This is an area where the business model and market does not work. With the Repair Fund, we want to be a driving force in developing this market. Because the lack of proper antibiotics can become a huge societal problem if we do not create a market for it (…), that is probably where we are at when it comes to defining impact investments."*

Likewise, for the Færchfonden, their purpose is to support economic development in the region and define impact investing as an extension of their grant-giving and organisational mission while being separate from their market conformed or SI strategies. For them, impact investing merges traditional investment management with a purpose-driven agenda. As mentioned by Martin Nygaard Christoffersen, CFO at Færchfonden, as he reflects on the use of capital to enhance their mission:

> "It is really about having a purpose. It is to create development, *new companies, and employment in northwestern Jutland. So, there is something to live* on in the region."

Furthermore, none of the actors referred directly to principles of intent, contribution, or measurement. Instead, intentionality builds on a set of values that guides their investments. This is illustrated by Anne Grete Lysgaard, from the family office Peder & Vitta Holding A/S, using a broad sense of purpose to make a difference within climate and environmental areas. At the same time, Færchfonden values inform capital allocations to a narrowly defined geographical area, however, the investment universe within the region is broadly defined as economic growth and social issues. Similarly, Novo Holdings selects its impact areas aligned with the parent company (Novo Nordisk A/S) focus on life science. Here impact areas are used as a lens to identify specific investment areas, where they can combine their assets, knowledge, and values while contributing to society. Here Type A asset owners seem to use value alignment as guiding principles for their interpretation of impact investing. As mentioned by Per Hillebrandt, CEO at Friheden Invest A/S, a Danish family office:

> *"We are going through a process with the family, where we tried to narrow in what impact investing means. (…) We have tried to understand the impact they wish to make and how investments connect with their values. In a family that spans generations, it can be difficult. However, we have succeeded to scope a few thematic areas where we want to make an impact."*

Consequently, few asset owners acknowledge, e.g., the GIIN or other definitions. Some actors even describe an unwillingness to adopt, e.g., acknowledge definitions as they did not match their interpretations. As expressed by Jannik Hagen, management director at Bestseller Foundation, when asked to define impact investing:

> *"(...) it is difficult to define (...). I think one defines it individually. From stakeholder to stakeholder. What is it? It quickly becomes a broad term. We recognise the GIIN definition. However, many say they use it and then include anything from passive ESG to outcome-based investments. For us, it is about creating some positive results, socially and environmentally. It is also a question of the way to achieve it. For us, that is primarily through for-profit and direct investments. (…) We exist to create something sustainable that grows by itself."*

The Bestseller Foundation restrains using the GIIN definition to avoid impact-washing and other financial actors' inappropriate use. For Jannik Hagen, the blurred boundaries and representation do not match the Bestseller Foundation more tightly interpretations of how to *invest with impact*. For them, using the GIIN definition was not important. Instead, it is about aligning investments with the foundation's values of contributing to growing underserved markets in developing economies. As explained by Jannik Hagen concerning the growth of the marketplace:

> *"It has become a bit of a new trend. Maybe we at Bestseller need to take it out of our vocabulary. Maybe we should go out and say that we create a positive social and environmental return. There is no need to label that (...). I think there is a long way before the term is used correctly by all – and how it was intended. I do not think other stakeholders are doing anything wrong. However, we are making direct investments in local companies and want to make the impact more tangible. In contrast, others use it widely to include ESG-type strategies. There is a risk of diluting"*

Instead, Bestseller Foundation sees investments as a 'tool' to achieve blended value and align their portfolio with a purpose. At the same time, using their purpose as a 'lens' to narrow in the investment universe and consistently contribute to these goals through capital allocations. This investment strategy applies an informal usage of intentionality and contribution. Other Type A asset owners were also aware of impact investing definitions. However, many seem to conclude that its principles do not apply to their identity as investors. Instead, asset owners use their own definition that

includes elements of intent and contributions to inform a purpose-driven interpretation. As exemplified by asset owner and founder of M.I.L Invest, Mette Fløe Nielsen:

> *"I like to think about what I do as purpose-driven investments (...). However, I also use the term impact investing because it is the term we have right now and because I think it gives a shared language, just like the SDGs.*

Accordingly, Type A actors are not adopting standard definitions. Instead, they borrow features of blended value to help communicate how their investments aim to optimise impact and financial performance. In particular, Type A actors used illustrative examples to embody their intent, as mentioned by Mette Fløe Nielsen, who reflects on how she identifies values and ensure investment alignment:

> *"I work under an overall framework called 'it must also do something good' for someone or something. That 'something' I had to identify, which was awfully hard. However, I now have an investment strategy where I only invest in - environmental issues, with a focus on energy, and I invest in social issues, which focuses on children."*

Given the above, Type A asset owners intent is observable in determining investments around certain sets of values-principles. Here, actors interpret impact investing based on references to values that inform capital allocations. Ultimately, the notion of value-alignment plays an important role in Type A asset owners, as it guides investments and reflects their commitment to achieving deep level impact.

Type A – asset managers

In another category of Type A actors, this study found a similar pattern of interpretations amongst some asset managers. These asset managers describe impact investing as containing two determining features that separate it from SI strategies. Namely, that investments should be value-aligned and impact-generating. Type A asset managers refer to how investment products reflect an impact intent, combined with generating deep-level impact. As described by Silja Nyboe Andersen, Product and Business Development Manager at Merkur Bank:

> *"It is about how to ensure your money makes a difference. (...) There are so many ways of doing that in the investment spectrum. Therefore, we also need to communicate better what it means - because what is SI or impact investing? We*

need to get better at teaching people how to understand the spectrum of making an actual difference. We must become better at telling the different ways to invest (...). We need people to understand that there is a need for more direct impact, and we need to fund new projects."

For these asset managers, impact investing is defined by deep-level impact intents and commitment to generate *real-world outcomes* through direct capital allocation. Despite actors citing the notion of intent directly, it was intrinsically used to differentiate it from other SI strategies and frame it as 'something else'. As described by Jesper Thinggaard, First Vice President at Nykredit Private Wealth Management:

"To me, there are two sides to that coin. On the one hand, how can we do well with the money we manage and create the highest possible returns. That is the whole SI investment trend, and that is easy for everyone to tap into. For me, when we talk impact, it is about telling clients how to use 1-2% of their fortune to make a real difference. We do not use it to generate market-rate returns. We do this with the remaining 98% of clients assets. Instead, we use 1-2%, which generates a below-market return and makes an actual difference. This is what I think impact investing is – in its purest form - where we get some social return and not market returns."

Type A asset managers believe that impact investing should have a clear intent and combine with the notion that investments directly contribute to real-world outcomes. The re-orientation to these principles helps to categorise a certain group of asset managers, where values and direct link to impact are guiding their interpretations.

5.3.2. TYPE B – INTERPRETATIONS

Overall, Type B actors emphasise that in recent years, impact investing has advanced from a niche originating from the SI-market to now becoming a prominent investment style, where investors can actively seek to identify and address sustainability challenges. Here interviews with Type B actors clearly showed their genuine interest in defining impact investing as a strategy beyond ESG exclusion- and integration[25]. For many, impact investing merges these SI styles and is a more inclusive approach that targets, what they identify as, impactful companies. However, actors acknowledge

[25] *Please see Annex A for a description of SI-strategies.*

that they face many hurdles, including a clear definition of how impact investing fits their organisational *characteristics* and distinguishing it from current work with SI strategies. This is exemplified by Henrik Franck, Chief Investment Officer at Formuepleje, one of Denmark's largest independent asset management firms:

> *"(…) We miss a good name for what we do. We do not know what to call it. We believe the investments we make must have a positive financial return and have a positive societal return. We must also be able to measure that difference. We do a lot of that. We measure the effect of the investments we have - we measure C02 emissions. (…) For impact investments, we need a positive financial return. We invest in sectors where companies can give extraordinary opportunities for a positive return - better than others while having a positive impact. The two things go hand in hand."*

Overall, Type B actors struggle to understand how impact investing aligns with their corporate values or 'traditional' investment practice. As most actors were still becoming familiar with other SI strategies, they found making clear differences challenging. As expressed by Klaus Hector, Partner at Atrium Capital Partners, on the spectrum of SI strategies and impact themes:

> *"It is about getting familiar with the acronyms and getting the terms in place. For us, that means understanding the 'road' from exclusion and to ESG and sustainability and ending with impact. There are many dimensions and philosophical aspects. More strategic philosophical choices when talking about impact."*

In particular, Type B actors used illustrative examples to symbolise their interpretations. With examples to suggest actors' understanding were not well-constructed or indicating impact investing as a reframing of SI strategies. As mentioned by Peter Normand, Head of Asset Management at Arbejdernes Landsbank, a Danish bank for retail clients, when asked to describe the difference between impact and ESG:

> *"I think the discussion is difficult. Impact is perhaps more active and direct. Where ESG and sustainability are more passive. E.g. where you as an investor are pivoted towards sustainable business areas. (...) However, I think we all need to become more knowledgeable and take a humble approach to understand the difference."*

Some were still hesitant to call what they do was impact investing, as they believe the impact-labelling demands more accountability concerning the measurement of *real-world outcomes* or because they lack knowledge about the area. Some referred to

impact investing in more general terms, as they could not adopt any acknowledged definition or narrow consideration of impact as it conflicted with their current investment practice. As mentioned by Mads Berendt Søndergaard, Head of Responsible Investment at BankInvest, a Danish asset manager:

> "(…) *I would argue that impact investing has two purposes, 1) a financial purpose by contributing to a return. 2) One has defined a social or environmental purpose. E.g. to ensure clean drinking water in developing countries.* (…)*. If we look at our sustainable approach and define impact investing within our work area, we see our practice as probably the closest one gets to impact.* (…) *It is something we have spent a long time defining our sustainability. From a definitional standpoint, can we define it as impact? Well, it is probably not a pure impact fund. We are more an investment fund with a sustainable- and impact-oriented profile."*

For many, impact investing was seen as a re-orientation of what was already happening with their SI strategy work. Making it difficult to translate how Type B actors interpret or distinguish impact investing from other practices. As mentioned by John Tønnes, CEO for the 'Det Obelske Familiefond' in their search to navigate on the spectrum between SI- and impact investing:

> "(…) *It is something we are trying to understand. We have spent time discussing ESG and impact investing and how we should define them. We are trying to get more knowledgeable on these terms. However, it has been challenging to find the difference and what it means from an investment point of view. We have probably concluded that there is a market - where there is talk of impact and ESG. For us, impact investing is traditional return-giving investments in areas that provide a societal return. So, the investments can also have a generally positive effect.* (…) *For us, there is a separation between our philanthropy activities and our investments. As of now, the investment team makes money, and I give them out. When we talk about impact investing, the same applies."*

The quotes underline Type B actors' challenges in defining the 'impact' term. Many draws causal links between sustainability-themed investments and impact investing strategies. Here type B finds it difficult to define 'impact' as a stand-alone investment strategy and instead describe 'impact' as output generated from other types of investments. Accordingly, some actor expresses the challenge of defining impact investing as something distinctive within a portfolio, as reflected by Michael Johansen, Head of

Asset Management Sales at Handelsbanken, who address how impact has become incorporated into their current work- and thinking:

> ”*It is interesting. Because impact is something that has come into focus within the last year or so. That is, what impact means. In the beginning, impact was the same as philanthropy. However, impact as an investment object may fit different objectives. For example, you can purposefully invest in SDG companies and seek to direct your money that way. This is something that we have defined in our investment policy. We are actively looking for companies that have solutions for the SDGs. That is our impact strategy. We also have funds that we call impact funds – e.g. funds in renewable energy and health care. The type where impact is more direct. We strive to address impact on different levels and think more impact-oriented.*”

Others contemplated the extent to which existing investments should be categorised as impact investments due to their sustainability profile. These ambiguities in defining impact investing or viewing it as a (re)framing of SI-strategies, were *characteristics* for Type B actors. From literature, it has often been suggested that financial actors can be categorised as either impact-first or financial-first investors (Clark et al., 2013). For example, Olesiak et al. (2015) described impact-first actors who prioritise impact objectives above a financial return, while financial first prioritise the opposite. However, many financial actors have a diversified- and wide-ranging portfolio, where they consequently may have investments that deal with both categories – either intentionally or unintentionally. The lack of a clear definition of impact investing- or understanding of impact-intent- leaves many Type B actors contemplating the term. As expressed by an asset owner, who wished to remain anonymous, as they are still in a clarification and strategy process:

> **“It depends a lot on the definition, and hopefully, that definition will come at** *some point because we cannot figure out how to define it when asked* (…). *Right now, we understand impact in a narrow sense concerning our purpose as a foundation. However, we also have other investments. We make forest investments. We make investments in micro funds. We make investments in green energy. Is that impact investing? Yes. If you look at it in a broad sense. But is that impact compared to our purpose? We find it challenging to understand how we communicate it.*”

However, what appeared noticeable was that Type B actors still sought to define an impact intent. Unlike Type A actors, who interlink ‘impact’ with values, Type B actors

described 'impact' in broader terms. For many actors, the intentionality of investments is seen through the alignment with the SDGs and broad level impacts. As a result, Type B actors interpret impact investing broadly, as any narrow definition could conflict with their institutional *means* (e.g., fiduciary duty and risk-return criteria). Meanwhile, some view owning 'impactful' companies as consistent with their perception of what impact investing encompasses. As mentioned by Peter Normand, Head of Asset Management in Arbejdernes Landsbank:

> "*It is difficult to define impact. We have just launched a fund where the goal is that at least 20% of the companies' turnover has to impact the SDGs* (…). *As of now, that is probably a broad assessment of impact.* (…) *It is important to understand that I need to provide a solid product that balance risk and returns. Here impact becomes a new parameter.*"

Actors interpret their impact as being achieved in established sustainability-themed markets or companies that can balance risk-return criteria. Interviews made it apparent that Type B viewed impact investing as entailing blended value yet viewed the alignment with impact through the 'lens' of traditional investment practice and risk-return considerations. Large-scale asset managers or owners use traditional consideration of risk-, return to construct a diversified impact portfolio that aligns investments with positive environmental and social areas. Here portfolio norms and impact alignments provide the defining principles for Type B. As interpreted from the interview given by Mads Søndergaard, Head of Responsible Investments at Bankinvest:

> "*Impact investing takes up more and more space if one is to be a responsible investor. Here, impact investing is the next step for asset managers. However, you need to find a balance that makes sense and does not affect returns.*"

As can be seen, impact investing should not encompass financial trade-offs. Meaning *real-world outcomes* must work in tandem with investment performance. Henrik Franck, Chief Investment Officer, exemplifies the defining property of returns at Formuepleje:

> "*For other asset managers and us, the impact is not the goal. For us, the goal is to create a return. However, while we create returns, we believe it is also possible to make an impact. It can not be compared to the work done by an NGO or having an ESG objective. We are not NGOs, and we stand by that. We are here to create a return. However, we also have a deep and personal commitment to having an impact. For us, return, and impact can easily be reconciled.*"

The interviews with Type B actors reveal that impact investing is still defined based on traditional financial merits, similar to how 'traditional' or ESG practice is used today. Here, the prioritisation of financial considerations is *characteristics* of Type B interpretations of impact investing strategies, where impact must be complimentary to risk-return considerations.

5.3.3. TYPE C – INTERPRETATIONS

The last category shares similar features to Type B, as actors have similar interpretations and blurred boundaries to SI strategies. Meanwhile, Type C actors view impact-alignment, portfolio norms, and financial consideration as principles for investing. Here many viewed impact as output from other sustainability-themed investments. As expressed by Louse Aagaard, ESG manager at PKA:

> "*We do not use the term impact. We either use terms such as green- or social investments. We use them to categorise investments from a green or social perspective. Impact can become too narrow. So it has to be either social or green.*"

Similar is mentioned by Mikael Bek, Head of ESG at PenSam, when viewing impact investing through the lens of fiduciary constraints:

> "*It is very broad, isn't it? I thought it was easier to make impact investing. We are subject to some framework in the pension sector where we must comply. We must make money for our members and must be able to explain why each investment is profitable and not just philanthropy. When I started reading up on impact investing, it seemed like a lot of what we do is impact. We invest in the climate, where we get good returns and make a difference.* (...) *We see this as having an impact within the framework that allows us to operate.*"

As can be seen, the potential *real-world outcomes* or value-alignment achieved through investments are not enough, as Type C needs to interpret impact investing through their institutional *ends* (value capture for their members) and *means* (fiduciary constraints). Like Type B actors, the 'impact' term must be understood as added-value to risk- and return. As the fiduciary duties govern, Type C actors must allocate capital to assets with appropriate risk-return criteria in the context of diversified portfolios. Accordingly, Type C actors' interpretation of impact investing must work in tandem with investment performance. Instead of adopting a distinct strategy, many

Type C actors seek to understand the impact generated from their current portfolio. As mentioned by Jan Kæraa Rasmussen, Head of ESG at PensionDanmark:

> "(…) *we believe that ESG is moving over to focus increasingly on impact. Being a responsible investor means not only avoiding investing in coal, tobacco, etc., but it is also now about - somehow - making a positive difference and reducing negative outcomes.* (…) *It will become more important in the future for us as investors that we can document to members that they make a difference and have an impact*

For Type C actors, the adoption of ESG-aspects has been achieved because it becomes material to financial performance or how exclusion-based strategies (where actors avoid certain 'sin'-sectors) has become necessary to represent a responsibility standpoint. Hence, *motivations* to adopt ESG or exclusion are based on risk, return, or fiduciary duty, as many large-scale Type C believe that what is bad for society is also influential to their investments. As of now, Type C actors are trying to interpret impact investing through similar considerations. Many are still looking to understand how it fits within diversified portfolios or overlaps with proven SI strategies. As reflected on by Morten Malle, Chief Investment Officer at Lærernes Pension:

> "(…) *impact for us is opting into something, while also opt-out of something else. With impact, you invest in something specific that makes a difference. It could be a green technology that is central to the business model. (…) Where ESG is perhaps more passive, then impact is more targeted. The question is, how much should it fill within a portfolio? As a pension fund, I will have to invest in the investment universe that exists. You can find much impact in that. However, it can be hard to see it (...) Right now, I do not see a conflict pivoting towards impact. (…) I think you could allocate approx. 10-15% of the portfolio against impact. Without it sacrificing return and getting in conflict with the law. However, it must be broad and diversified – which will be difficult*".

Many Type C – actors look to understand if impact investing should be a distinct strategy or if impact outputs should be measured across their whole portfolio.

Many Type C described impact investing concerning private markets to illustrate their interpretations of 'impact'. For example, this study interviewed four out of the six pension funds co-invested in the SDG Investment Fund, as described in Chapter 4. From interviews, this study explored the extent to which Type C actors would define the SDG Investment Fund as an impact fund or how it aligned with their interpretations of impact investing. Here findings suggest that actors believed that the SDG

Investment Fund offered the appropriate risk-return. However, answers also indicated divergence in the perception of labelling it as an impact fund. Some actors viewed investing in developing economies as the fund's raison d'être, which justifies the impact-labelling. At the same time, others viewed it as an ESG fund. As can be seen from three Type C actors opposite views:

Mikael Bek, Head of ESG at PenSam

"*Many pension funds are invested in the SDG Investment Fund, which invests in projects in developing economies. Many of my colleagues would probably label it as an impact fund. However, for me, it aligns more with good ESG investing and sustainable areas.*"

Jan Kæraa Rasmussen, Head of ESG at PensionDanmark

" Yes, we see them as an impact fund. Their purpose is to make an impact. It is development financing. The SDG Funds align their work to the SDGs (…)"

Thomas H. Kjærgaard, Head of ESG at Velliv,

" *There is the SDG Fund. We will typically be able to say with a clear conscience that this is probably an impact fund. There is a clear aim to create returns, but it must make a difference and outcome that helps socially.*"

The example shows that Type C actors do not have a clear impact intent when investing in the SDG Investment Fund. Instead, the fund aligns with perceptions of investing in social- and environmental areas. This implies that Type C actors are excluded from using a narrowly defined impact articulation, as fiduciary duties require upholding portfolio norms.

5.3.4. IMPACT-'ALIGNED' *VS*. IMPACT-'GENERATING'.

To summarise, actors – from Type A to C – interpret impact investing according to their worldview(s) and organisational *characteristics*. Findings could suggest that Type A actors' re-orient towards value-alignment and impact-generating due to the low prevalence of investment *logics* and complementary institutional *ends* of values and impact intent. In contrast, Type B and C pivots towards impact alignments due to the prevalence of *investments logics* and *institutional means* of fiduciary constraints and SI practice.

The divergence in 'impact' or 'investment' prioritisations shows that consensus amongst actors is still in the early phases. Accordingly, it is unlikely that anyone interpretation is settled any time soon, as actors view impact investing from different standpoints. This could raise *legitimacy concerns*, as Type A actors could argue that impact investing encompasses a narrowly defined articulation of impact centred on values. At the same time, B and C actors believe in impact-alignment principles, as *organisational characteristics* limit them from adopting a narrow definition that conflicts with investment *logic* and *means* of financial considerations (risk-return).

Actors lack of references to definitions such as, e.g., the GIIN underscore that current efforts to make a universal language have not yet been 'translated' or provided clarity for practical use. Despite the fact that the GIIN definition has been around for almost ten years, it seems unlikely that actors will settle upon one universal definition within a Danish marketplace since there are many fragmented understandings of the field. In literature, scholars have sought to interpret how individual segments of supply-side actors (e.g., family offices, foundations, pensions funds etc.) understands acknowledged definitions (Zolfaghari & Hand, 2021, Castallas & Ormiston, 2018, Ormiston et al., 2015). Conversely, this study argues that a single perspective to definition could default to generalisation, as scholars' risk not capturing the nuances presented in actors interpretations of what it means to *invest with impact*.

As seen in previous sections, almost all actors define impact investing as a strategy to achieve blended value. However, actors diverge regarding the *means* and *ends* of how to achieve it. For example, interviews with Danish foundations show that their interpretations vary depending on *ends* (values, motives, goals) despite having similar organisational *characteristics*. Some foundations could be categorised as Type A, as they define impact investing according to value-alignment and using institutional *means* to accelerate value-creation. As seen with Færchfonden, these Type-A actors display a low prevalence of investment *logic*. They are more open to merging traditional investment practice with philanthropy activities and impact *logic*. This suggests that Type A actors can consider how institutional *ends* of motives and values (impact *logics*) match similar *means* of investment management (investment *logics*).

On the other hand, foundations categorised as Type B separate impact investing from philanthropy activities. As seen with Det Obelske Familiefond, there is a high prevalence of investment *logic*. The foundation has the *means* (resources, knowledge, and

practice) to develop impact investing similar to Type-A. However, they display degrees of resistance, as interpretations are embedded in investment *logic* and value capture. Instead, the motives are to deliver returns in a more impact-aligned manner that builds on traditional investment management. In contrast, features of value-alignment or impact generating are kept separate and viewed as philanthropy activities. The institutional settings of investment and impact *logics* are not in direct conflict, yet the prevalence of investment *logics* is dominant when interpreting how to adopt impact investing strategies.

For Type A actors, impact investing involves using capital as an institutional *means* to achieve value alignment or the intent to generate real-world outcomes. The low prevalence of investment *logic* makes actors open to adopting narrowly defined impact goals or incorporate values (impact *logic*). Here impact- and investment logics complement each other in their interpretation of impact investing.

There is an - perhaps unsurprisingly - strong prevalence of investment *logic* for Type B and C actors. Actors express the importance of upholding financial considerations and investment *logic* to ensure impact investing fall within mainstream practice. The prevalence of investment *logic* implies that actors are confined to defining impact in broad terms to ensure it does not conflict with risk-return. Here impact *logics* are represented yet are defined through mainstream investment practice.

Overall, Type A to C actors interprets impact investing through their institutional *means* or *ends* and in combination with individual *characteristics*. The following section explores how actors' motivation could also influence their approach to the field.

Understanding different segments of financial actors' interpretations also bring a more nuanced picture of the marketplace. Through lengthy discussion on the terminological boundaries of impact investing, as discussed in Chapter 2, academia has seemly established that impact investing encompasses blended value. However, Danish supply-side actors still interpret these blended value principles according to organisational *characteristics,* leading to different interpretations. As Findlay & Moran (2018) argued, the lack of shared definitional understanding and under-institutionalisation of impact investing could create impact washing. However, Roundy et al. (2017) claim that instead of identifying a unique or universal definition to impact investing, perhaps its more relevant to define it according to actors' interpretations of what blended value and impact-intent encompass.

As seen in previous sections, findings indicate that Type A to C has similar beliefs towards blended value yet divergent views on how to achieve it. Instead of understanding impact investing according to one definition, perhaps it is more inclusive of reviewing actors' intent and commitment to achieve real-world outcomes. As the findings indicate, impact investing definitions in Denmark could be re-conceptualised to match categories of interpretations. For example, Type B and C actors pivot towards impact-alignment strategies and broad-level impact to balance financial consideration. At the same time, Type A actors seek value-alignment and impact-generating investment to achieve deep-level outcomes. Both intend to invest with impact, yet their interpretations are bound to organisational *characteristics*.

5.4. FINANCIAL ACTORS' MOTIVATIONS

As previous chapters described, impact investing attracts growing interest (GIIN, 2020a; IFC, 2019). This is also evident from the *diversity* of actors participating and showing interest in this study in Denmark. Similar market awareness is noted by Peter Engberg Nielsen, a financier and board member in several large Danish financial institutions as he describes the development:

> *"Last month, I went to an ESG conference in London by JP Morgan, and the conference was full. It was filled with private banking customers from England. There was real hype, interest, and big money. If you go five years back, then the seats would have been empty. So, the interest in doing good is massive, and big investors are coming in. If you look at Denmark, people would have said that impact investing was philanthropy just three-four years ago. Now some completely different stakeholders are coming and putting money into impact investing. The market has changed fundamentally. However, I also see that people perceptions of what impact investing are very fragmented".*

The quote emphasises the uptake across the spectrum of supply-side actors in Denmark. For many asset managers, the awareness of impact investing connects to the growth of SI strategies, as actors have built up the capacity and knowledge to work to market these products. As shown in the following, the next wave of growth is seen through actors' shared interest in participating in the marketplace and the *diversity* of actors coming in with different motives. Accordingly, interviews with Type A to C

actors expose different motives to participate based on interpretations of impact investing and aims to invest with impact.

5.4.1. TYPE A - ASSET OWNERS MOTIVES

Correspondingly, Type A asset owners' interest is driven by motives to explore more value-aligned investments. A trend experienced by Mette Fløe Nielsen, founder of MIL Invest and next by Per Hillebrandt Jensen, CEO at Friheden Invest A/S, who mentions that:

> "(…) *I experience an extreme curiosity. I probably have between three or five coffee meetings a week with people who want to be a part of the impact investing community.* (…) *I had a meeting yesterday with a woman who had sold a well-known clothing brand and had earned enough to live well for the rest of her life. But she still lacks a purpose. She asked how I could get her started on the impact investing journey.*"

> *"(…) I can see that younger family members are interested in impact investing. The current generation also has the interest, but differently.* (…) *The family would like to give something back to society. Philanthropy has never really been of interest, but investing makes sense and how we can combine it with impact."*

Asset owners can more easily deploy new strategies such as impact investing, as they are not necessarily bound by fiduciary constraints or financial considerations (Sherwood & Pollard, 2019). According to interviews with Type A asset owners, there seem to be three motives that drive their participation:

- An opportunity to build alignment between investments and values.
- A belief that social and environmental value creation can drive long-term financial returns.
- Identify vehicles, projects, or companies, that address specific social and environmental challenges.

In particular, Type A asset owners want investments to be reflective of their values. Making a difference through value alignment is a principle correlating with Type A asset owners' motives. Whilst it may not be unexpected, it gives useful insight into the

active choice that characterise Type A actors' practice when adopting impact investing (as will be explored in section 5.5.). For Mette Fløe, founder of M.I.L Invest, the correlation can be prescribed to wanting a purpose:

> "*I think people need a purpose. I am not particularly eager to talk about sustainability and impact. For me, the purpose is something more personal* (…). *It is important to remember that I am also an investor. I invest to make a return. However, business and purpose go hand in hand.*"

Type A actors often wish to be proactive in minimising harm and increasing the good their assets can contribute to the world. Something reflected on by Anne Louise Shur, founder of SDG Invest and administrator of the family offices network, Global Impact Club:

> "For the group of *investors, we have in our network, the impact is everything. I should not present a business case where impact is not core to the business model* (…) They take impact investing very serious."

There are various motives behind asset owners' choice to engage the field, including a sense of responsibility (e.g., wishing to contribute to society) or wanting to identify with their investments compared to their values. Personal or organisational values serve as guiding principles for participating in impact investing, which influence the behaviour of Type A asset owners, as described by Martin Christoffersen, CFO at the Færchfonden, who mention why using the impact labelling are essential:

> "*It is important* (…) *because impact for us is about taking active ownership and setting a direction for our investment projects. With our traditional investments, we mainly look to the financial side. We have no active role. We just invest in other funds, companies, and hope for the best. So, impact for us helps to define a framework for something that we want to change. We can do this with our purpose-driven investments. It fits well with the way we want to see ourselves.*"

Similar considerations have been made by Novo Holdings and CFO, Peter Haahr, who describes the alignment between adopting the impact-labelling to go beyond their traditional investment practice:

> "*If we did not use an impact label, then I do not think we would have made our Repair Impact Fund. Because if you do the business case, then the investments have a hard time meeting our normal criteria. Therefore, when we make such a fund, we would like to make a difference. However, we must have a far greater*

risk profile than we traditionally have. The label helps us do that. The Repair Impact Fund fits that purpose. Because it makes sense for us and society."

For all those interviewed, the wish to make a positive real-world impact goes beyond their assets. For this reason, impact intents, resources, and motivations for committing to impact investing seem unique to each actor. Similarly, these motives are introductory to why actors are inclined to question the status quo of their portfolio and pivot it towards values, despite the challenges or experience to translate motivations into practice. As mentioned by Niels Jacobsgaard, Managing Director of Jacobsgaard Investment Advisory, and advisor to Peder & Vitta Holding A/S, as he comments on the family offices motives for impact investing:

"*I would say that in the long run, everything in the portfolio should be impact investing. That is the strategy. However, it has been a difficult journey because the market is still immature*. (…) *We have a patient approach. However, we are also committed to the strategy.*"

5.4.2. TYPE A TO C - ASSET MANAGERS MOTIVES

For asset managers, impact investing is a strategic growth area that allows them to tap into a new market or meet clients' demands. For asset managers, the clear focus on tangible *real-world outcomes* – either impact-aligned, impact-generating or value-alignment – will shape the marketplace in the coming years. Accordingly, asset managers express a 'snowballing' effect, where private clients become more aware of impact- or SI-strategies and start questioning how their assets contribute to a better world. An effect expressed by Klaus Hector, Partner at Atrium Capital Partners:

"*It is perhaps typical of our industry, which sometimes is dragging its feet on new things. We have had a great deal of knowledge and must now show it to the clients. For example, we hosted a seminar on impact investing. We asked ourselves before the event. Can we do that? Are people interested in it? However, we experienced a massive interest and demand afterwards. Similar, a few weeks ago, I had a meeting with a client. We have always discussed impact. But now I asked, 'so we have this impact seminar, and perhaps we should begin to look into impact investing?*'. She replied, 'I would very much like to go to the seminar. *And impact investing is something I would like to start immediately. I do not just want to get started; I want my entire portfolio turned in that direction'. That was an eye-opener for me and showed the interest in this area.*"

The explicit signalling of the interest in impact investing in Denmark aligns with global market surveys showing growing interest from private clients, who see investments as reflective of their values and legacy. For example, UBS and Campden Wealth (2019) survey shows that 37% of family offices respondents expect their impact investing portfolio allocations to average around 25% of their assets over the next five years. A similar tendency was evident in interviews with Danish asset managers, who service HWNIs clients, as expressed by Klaus Hector, Atrium Capital Partners and next by Jesper Thinggaard, First Vice President at Nykredit Private Wealth Management:

> "*Our approach is to say that we believe in the impact investing trend. We believe it will be an all-essential megatrend - perhaps the biggest in the next ten years in our area. There is massive pressure from clients who wish to go in that direction.* (…) *You can not fight against that - and you must be able to deliver*".

> "*We see this as an area where we can create a competitive advantage. I am an investment advisor for our elite segment. Most asset managers have access to virtually all types of assets. So usually, it is hard to gain an edge compared to competitors. But impact investing is one of these areas.* (…). *We look to impact investing to see how we can gain an advantage. Furthermore, it's a perfect match because it can provide a competitive advantage and fit with our values at Nykredit. We are a leader in the ESG area. But impact investing takes ESG to a new level.*"

As noted, the demand for impact-oriented investing services has opened a new advisory avenue for asset managers. The trend towards impact investing was observable across the spectrum of asset managers (particularly Type A and B) as they move into the marketplace to differentiate themselves and meet the increase in future demands. For many, the transitioning to impact investing advisory requires talking with clients about investment opportunities that are relatable and specific to other aspects than risk returns. As illustrated by Jesper Thinggaard from Nykredit, when talking about impact-generating strategies:

> "*We have our normal investments, which also have an impact. It is more the broad sustainable impact. But we also believe in the relatable and direct impact. Here we make investments for the social impact and not absolute return. We want to offer an investment that resonates with clients. This can also give us an edge while giving clients a good experience that makes sense to them.*"

Asset managers take different pathways into the marketplace, where Type A asset managers are more motivated by more direct impact-generating strategies. Other Type B asset managers talk about impact investing in more general terms to safeguard fiduciary constraints.

Investing with impact also influences other and more traditional asset managers to re-orient towards the marketplace, as reflected by Teis Knudsen, CIO at Kirk Kapital, a Danish family office firm. As he reflects on the journey ahead on implementing an ESG-policy and adopting a more impact-oriented stance within his fiduciaries constraints:

> "*This year, we have been working on an ESG policy, which has not been the case before. It has not been a great wish of our shareholders. Before starting this journey, my colleague and I are also discussing. Should we be turning the whole portfolio towards something more impact-oriented? For example, instead of lending money to someone, we lend money to something. We think a lot about that.* (…) *I have wished to stay ahead because I imagine that the Board of Directors at some point will like us to have a policy (…) Similarly, being impact-oriented is also an expression that we can work in a new way. We work with a multi-generational perspective, where we must maintain relative prosperity for our shareholders. I am aware that younger generations are coming in. So it is only natural that we create an impact-oriented framework.*"

As noted, the interview with Teis Knudsen does not centre directly on the discussion of impact investing. However, it illustrates the journey and motives of asset managers adopting a blended value mindset. In Kirk Kapital, there is no immediate 'push' from owners to adopt SI or impact investing activities, yet there is a growing awareness. These future expectations mean asset managers are exploring the marketplace to understand how it fits owners' expectations of institutional *ends-means* (risk, return, impact, and legacy).

The movement also appears in other parts of the investment value chain, for example, between asset managers and external fund managers. In interviews with Type B banks, these actors express an interest from clients who wish to allocate towards SI-oriented products. As of now, retail clients' preferences seem concentrated on SI strategies, yet some banks consider more impact-oriented products if they fit with fiduciary constraints. The banks that participated in this study have already established SI products and policies. For many banks, impact investing is still a relatively new topic; however,

there is an apparent appetite for these strategies. The movement is reflected on by Peter Normand, Head of Asset Management in Arbejdernes Landsbank:

> "*In the areas where we have a dialogue with customers, we are noticing a trend towards ethical and sustainable products.* (...) *The trends towards these areas have accelerated. The question is whether the trends are just as strong towards impact investing. Or perhaps it is stronger.* (...) *Previously SI was something extraordinary. Now, everyone is doing it. The question is, what is the next level?*"

The shift shows that some actors acknowledge the strategic consequences and competitive implications of not taking action. While many banks experience increased demand for SI products, the future interest in more impact investing-related strategies could originate from wealthy clients. As mentioned by Michael Johannsen, Head of Asset Management Sales at Handelsbanken:

> "*Mr and Mrs Denmark are ordinary people and who thinks it great that we make SI, and we behave properly* (...). *Then we have the group of customers from private banking. Here we can feel that they can articulate it, especially the very wealthy customers. However, I have not seen anyone in this segment using the word impact yet. However, I think that will come.*"

Overall, asset managers, such as banks, set the tone for the investment value chain. Their understanding of SI and impact investing can significantly drive the product offering. As illustrated by BankInvest (a Danish asset manager collectively owned by local banks, such as Arbejdernes Landsbank), who established a robust SI product offering to serve its owners and meet demands. The response is based on BankInvest wish to remain competitive and ownership pressure to expand practice. These incentives pushed BankInvest to evaluate opportunities in building a SI practice. As expressed by Mads Søndergaard, Head of Responsible Investments:

> (...) *We experience a massive demand. We also feel it from our owners, who are the banks. The banks may not have typically had their focus on the topic because they are regionally anchored. So, they traditionally focused on other business areas. However, we can feel the demand for SI. Because the banks are being asked by* ***their customers, which sets the tone for our work.***"

Moreover, BankInvest has a fiduciary duty and is evaluated on its ability to deliver risk-adjusted returns. The move into SI aligns with an organisational response to remain competitive and meet the owner's expectations. For these actors, the integration of impact-oriented strategies depends on the quality of investment opportunities

present in the marketplace. Despite challenges, BankInvest has started to evaluate the more impact-oriented strategies to stay ahead. As expanded by Mads Søndergaard, Head of Responsible Investments:

> "*For many, impact investing is the next step. However, you need to find a balance that makes sense. It will be interesting to make investments with clear impact goals. We think that there could be an interest in such a product.* (...)*. It will become integrated, and we wish to offer products where we are expanding the sustainability requirements. I think customers will, over time, pivot towards impact. However, the market must also be there to deliver on returns.*"

As described in the previous section, as a Type B asset manager, BankInvest interpretations of impact investing is influenced by its organisational *characteristics* and experience in SI strategies. This also informs how BankInvest evaluates marketplace opportunities. Furthermore, the level of awareness from BankInvest owners also influences how the organisation allocate resources towards impact investing. Here owners can use their voice to communicate their demands. An influence expressed by Peter Normand, at Arbejdernes Landsbank, co-owner of BankInvest:

> "We *are part of BankInvest board and product committee. So, we have a big influence on what type of products are important.* (...). *BankInvest has created a very explicitly sustainable profile, and they want to be the leader in the field. This is because we also wanted a SI product. I have been in close dialogue with them on these things* (...). *It would not be surprising if BankInvest had a concrete impact product in three years.*"

As owners and managers become informed, the *diversity* of investment strategies will expand as actors look to differentiate from competitors. As actors engage the marketplace, this creates a multiplier effect through the value chain deepening practice, types of investments, and targeted impact needs (Roundy, 2019).

For Type C actors, there is also a growing trend towards impact investing. The demand for impact-related investments varies according to the client base, and there are divergent views on clients' demand. Here some actors saw impact-oriented strategies as a natural next step, as expressed by Mikael Bek, Head of ESG at PenSam:

> "(...) *We also want to look into impact because we want to be responsible. This is something the pension sector is working seriously on*".

Others expressed an increasing demand from clients, who insisted their savings contribute to the world. With impact-alignment being the next step for asset managers to signal responsibility as expressed by Jan Kæraa Rasmussen, Head of ESG at PensionDanmark:

" We feel a demand from the members and senior stakeholders, from the board and various groups. It will be important for them that we can document the difference we contribute."

Some Type C asset managers emphasise impact-oriented strategies to remain relevant in the sector. However, fiduciary constraints make it hard to differentiate as financial considerations must be balanced. As reflected by Thomas H. Kjærgaard, Head of ESG at Velliv (Type C)

"We have customers *who only want to meet in order to compare our sustainability product with competitors. If you are a commercial player, like us, and do not have this type of product. Then you are a bad commercial player.* (...) *However, it is almost impossible to differentiate as we are subject to intense regulation. We can try and beat them on the return, but the type of investments pension funds can* in this area are very similar."

There was a shared understanding amongst Type C actors of the need to behave as a responsible investor. Becoming more impact-oriented is the next step for many, yet investments must align with fiduciary duty and portfolio norms. Hence, Type C actors view the impact investing marketplace through these motivations.

Overall, Type A to C actors recognises their nascent knowledge of the marketplace. However, many actors also see it as an area where they can become more specialised. As expressed by Jesper Thinggaard, First Vice President at Nykredit Private Wealth Management, on the need to structure more sophisticated investment products:

"I see the competition in this way *that everyone is doing it* [referring to SI-strategies]. *Some may believe that they are unique. However, it is challenging to differentiate.* In the past, you might screen out 'bad' companies. *However, now, it has become mainstream. So, the mindset has become completely different* (...). *What you need to understand is that everyone can copy each other products. Therefore, you need to compete on something else. This is where impact invest*ing becomes interesting for us".

The need to differentiate and shows tangible impact is further elaborated by Henrik Franck, Director and Partner at Formuepleje, as he describes the level of competitiveness in the marketplace:

> "*We started with impact investments back in 2014. At that time, it was not a competitive factor in any way. We may have underestimated that asset commercially. We did not go out in public and communicate it. Nowadays, it is all turned around, in the sense that if you do not, you will lose competition in the market.* (…) *We have to become even better at showing that we make impact investing. That we outperform financially and contribute positively*".

The demand for more impact-oriented investments makes actors evaluate different pathways to participate in the marketplace. Here actors' definitional interpretations of impact investing and organisational *characteristics* determine these pathways into the marketplace. Overall, Type B and C asset managers participation is still homogeneous as they explore impact-alignment strategies and looks to understand how impact investing fits within mainstream investment practice.

However, as the marketplace mature, actors express that their participation will become more sophisticated as they re-orient their investment activities to understand and capture real-world outcomes. Likewise, as ESG-aspect becomes absorbed into the **'traditional' portfolio managemen**t, actors shift towards more impact-intent and impact-generating activities.

5.4.3. MOTIVATIONS & RESPONSES

Momentum in the impact investing marketplace seems driven forward by different factors. For Type A asset owners, it comes down to their interpretations that impact investing encompasses value creation or reflection of values. For Type A – asset owners, low prevalence of investment *logic* and motivation provide a direction for their institutional *means* (resources, practice, and expertise). Using impact-labelling, Type A asset owners can legitimise their participation in the marketplace as it provides a sense of purpose. The example given with Novo Holdings A/S illustrates how applying impact labelling allows some actors to legitimise impact investing and diverge from traditional investment practice. Actors can preserve core investment practice yet infuse an impact *logic* - or organisational value – allowing them to decouple from

traditional investment *logic* and mainstream institutional *arrangements*. As argued by Greenwood et al. (2011) and Yan et al. (2019), as one *logic* becomes more prevalent over time, actors could gradually see the institutional *means* of that *logic* becoming a representation of their institutional *ends*. In Novo Holding A/S, using their assets to build a market and invest in MedTech companies researching antibiotics helps them contribute positively to society. In this way, the investment *logic* can instantaneously provide institutional *means* to serve *ends* and values. While investment *logic* is also essential for Type A actors, their motivations to adopt value-alignment and impact-generating strategies help diversify the Danish marketplace, as actors contribute with different investment strategies, risk-return profiles, and motivations to invest with impact.

Type A to B asset managers motives to participate is affected by market demand and shifting circumstances that require them to reorient institutional *ends-means*. Changing demands and circumstances influence actors' options to participate and pathways to doing so. As seen with examples from Nykredit and Atrium Partners, these actors recognise the organisational risks of not acting, i.e., falling behind the competition due to inherent growth in market demand. For Type A and B - asset managers seem to adopt one or more of the following features driving their motivations, relating to:

- *Signalling their organisational value* through investing or product offering that displays a clear purpose to address sustainability challenges
- *Participating on the basis that impact-oriented investments* should not come with a financial trade-off
- *Pressure to evaluate and identify pathways* into the marketplace due to client demands
- *An opportunity to differentiate* by developing product services with a more clear impact-oriented focus.

As the marketplace evolves, actors recognise impact investing as an opportunity to differentiate from competitors. This drive could be fostering innovation and increase market *diversity* as more asset managers increasingly wish to participate. Hence, the prevalence of investment *logic* seems to influence asset managers differently. For example, Type A asset managers, such as Nykredit, display a low prevalence of investment *logic*, as they view impact investing as separate from traditional investment

practice. Here investment *logic* is accepted as institutional *means* yet not taken for granted. Instead, investment *logics* play a complementary role in fostering novel pathways into the marketplace, as Nykredit believes "pure" impact investing equals engaging in activities that deviate from traditional practice. This motive is driven by institutional *ends* and motives to differentiate from competitors and take advantage of a new market. As the impact investing *field* is still emerging, some Type-A actors' motives seem to drive a more experimental stance that introduces new strategies to merge impact- and investment practice.

On the other hand, Type B asset managers also see market demand as motivations yet see investment *logic* as *legitimate ends* that govern how they can participate in the marketplace. *Motivations* are still limited to fiduciary constraints, which must be upheld. These actors' participation is still homogeneous and follows a well-institutionalised script transferred from investment- *logics* and *means*. As seen in the BankInvest example, actors influence each other and can push towards more impact-oriented practice. However, resources are less likely to divert towards goals other than value capture or impact-aligned strategies, as other motives might conflict with the dominant investment *logic*. Type B and C actors' participation in the marketplace depends on their ability to identify impact-aligned opportunities considered financially *legitimate*.

However, the *diversity* in motives displayed above reflects a Danish marketplace where more actors have begun to explore pathways to participate.

5.5. TRANSLATING IMPACT INTO PRACTICE

The following section explores how actors translate interpretations and motives into practice. As of now, most research has focused on deciphering definitional boundaries from academic literature while neglecting to grasp actors' adaptation of strategies (Bengo et al., 2021, Agrawal & Hockerts, 2019, Roundy, 2017). Therefore, the section proceeds by describing Type A to C actors' adaptation of impact-oriented strategies.

From interviews, Type A to C actors displayed notions of consensus that strategies can include:

- Investments are made across various asset classes. Ranging from the public- and private equity markets to fund-of-funds, debt and real estate
- Using the impact labelling to describe the outputs made from SI strategies or categorise investments or assets deemed impactful.[26]

Overall, actors referred to impact-oriented investments across a range of social- or environmental areas. Some used a broad framing under the SDGs, while others had defined more niche areas. In general, actors viewed impact investing as a broad strategy that could be adapted to fit various purposes. Ultimately, the marketplace *diversity* is evident in actor interpretations and adaptation strategies to achieve - what they consider - is blended value.

As the marketplace diversifies and actors adopt impact-oriented strategies. It is important to note that they co-exist in the same marketplace yet operate differently depending on actors' interpretations, organisational characteristics, and motives to participate.

To uncover how financial actors adopt practice, the following section explores their perception *of investing with impact* and compare their understanding to investor impact concepts (as discussed in Chapter 2, Section 2.3). As more actors want to drive positive impact or promise impact in their offerings, the section reviews how actors translate these aspirations into practice.

Here Table 17 summarise actors' interpretations and motives, which will be used in the following section to illustrate how these translate into actual practice.

[26] *Through interviews, few actors referred to impact investing as an asset class. For example, classifying individual investments (such as green bonds or the SDG Investment Fund) as impact investments. Hence actors did not view impact investing as an explicit investment strategy.*

Definitional category	Description	Category of actors.
Value-alignment	Actors believe impact investing should be reflective of personal or organisational values	▪ Typical for Type A – asset owners. ▪ Can overlap with impact-generating and impact-alignment approaches.
Impact generating	Actors see impact investing as an active- and direct contribution to social- or environmental areas. Where the investments should help generate new positive outcomes.	▪ Typical for Type A – asset managers and some owners. ▪ Often overlaps with value-/ impact alignment approaches.
Impact-alignment	Actors view impact investing in broad terms that align with, e.g. the SDGs.	▪ Typical for Type B and C asset managers and owners. ▪ Conflicts with the above approaches due to fiduciary constraints or *means* of organisational *characteristics*.

Table 17 – Illustration of Type A to C actors' perception of impact investing. Combined with how some actors can overlap in interpretation, motivations and practice.

5.5.1. TYPE A – PRACTICE

Type A actors showcase *diversity* concerning return criteria, with some actors citing impact investing to include below-market-rate return. However, most Type A expects impact investing to deliver competitive or higher returns than traditional investments. Likewise, actors also agree that one can target both below-market returns or take on higher risk, but one does not have to give up returns. As most actors were only beginning to adopt practice, only a few could disclose if impact investing has met or exceeded their expectations. As reflected by Per Hillebrandt, CEO at Friheden Invest A/S, who describes the initial experience:

"During our strategy process, I have focused on starting top-down and defining some values for the family. (...). Thus, we do not invest in everything called something with impact. But we have become more focused and can make more significant investments (...) We are becoming more structured in how we invest."

As the marketplace mature, there is a willingness to allocate more capital towards impact investing. As quoted by Martin Nygaard Christoffersen, CFO at Færchfonden:

" We have two types of investments. Our market-compliant investments and purpose-driven investments. We are happy if our purpose-driven investment generates above a 0+ return. They are meant to generate an impact. Over time, we will incorporate impact in our market-compliant investments. We have some younger family members who will be part of the board in the future. By then, our market-compliant investments will also incorporate impact (...). We believe this will be possible as the market matures."

Type A asset owners described how they sought a total portfolio approach holding various asset classes – from public to private equity. However, many find it difficult to identify appropriate investment opportunities (e.g., direct deals and funds) in private markets that align with both values and risk-return requirements. Overall, Type A actors seem more risk-willing in private markets investments, as this aligns better with their understanding of achieving a direct impact. At the same time, they were more risk-averse in public markets to ensure capital protection.

Meanwhile, actors who pivoted towards impact-generating strategies seem more willing to take on higher degrees of idiosyncratic risk[27] if they can identify a compelling impact case. Notably, in private markets, Type A actors display a more long-term and patient perspective. As exemplified by the Repair Impact Fund launched by the Novo Holding A/S and described by Peter Haahr, CFO:

" We have set aside capital to find companies that are at an early stage in researching antibiotics. We want to support them. In that context, we look at traditional return requirements, which may be somewhere between 10-20% return. In the investment unit, we say OK, we have to get the money back on level. However, we may reduce our risk requirements and push our returns into the future. So, our business model for impact investing has a return element.

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[27] *Idiosyncratic risk refers to elements that are not correlated with the overall market, but are unique to individual investments and circumstances (Investopedia, 2020). These risks are often linked to new types of financial structures or practices with little track record or comparability to similar investments (ibid.).*

However, it differs from our traditional approach. (…) *We can only do this because the impact we want to create outweighs our risk and return.*"

Concerning practice, Type A actors define impact investing as reflective of values or investments with impact-generating properties. Overall, identifying investments that align with values and *real-world outcomes* is important to the perception of practice. As mentioned by Martin Nygaard Christoffersen, CFO at Færchfonden, who see a difference between impact-aligned and impact-generating investments:

"*Impact for us is to take an active role and set a direction on something that creates a purpose while also creating a financial return. It is not just investing in something sustainable. The difference is the active ownership, where we set the direction and generate the impact we wish to see.*"

Overall, these actors must balance various perspectives and expectations, as they are bound by a commitment to their Board of Directors and fiduciary duty. However, actors believe that fiduciary duty can balance with impact investing, yet it demands a high degree of transparency and trust. As reflected by Peter Haahr, who believes that Novo Holdings now has an impact investing model ready for scale-up and can be expanded to include other areas of impact generating activities.

"The *concept works now. Instead of making grants, we can also make impact investments. That still yield returns – maybe market- or below-market returns, depending on our requirements. I think the current model works. It is reasonably practical and scalable.*"

For some Type-A asset managers, producing impact investing opportunities relies on helping clients understand how investment can become purposeful and generate real-world outcomes. As mentioned by Silja Nyboe Andersen, Product and Business Development Manager at Merkur Bank:

"We are very narrow *in our product offering. We divide it up so that there is SI, and then there are impact investments. We also have an impact first, where the impact must be measurable and incorporated into the fund managers or company DNA. It is very much about getting new money that goes directly into projects and supports new impact.*"

Merkur Bank is explicit in its considerations and cautiously uses the impact-label by separating products into impact-alignment and impact-generating practices. Accordingly, only products that directly invest in underserved markets to create additionality are deemed pure impact investing products. Furthermore, the product offering of

Merkur Bank shows that impact investment expands across assets classes- and portfolio diversification without making concessions on risk-adjusted returns. As expanded by Silja Nyboe Andersen:

> *"Our most sustainable fund has made 40% in 2 years. That does not say much because the stock market has been insane. But our customers do not feel cheated. Moreover, when COVID hit, we were far above the benchmark. So, when things go wrong - then we are more resilient."*

The actors described above primarily view impact-generating strategies relating to investing in private markets. In contrast, impact alignment is reserved for public markets strategies. This indicates that actors are experimenting with both broad- and deep level impact within a portfolio. All Type A actors see concepts of additionality or the active contribution towards an identified real-world outcome as important. Here impact investing strategies should contribute to one or more elements that target:

- Undervalued companies, where the materiality aligns with actors' values and consideration of real-world outcomes
- Grow undersupplied or underserved markets
- Allocate (patient)capital to companies to achieve specific outcomes
- Contribute with non-financial expertise, network, and synergies
- Signal to the marketplace to indirectly attract more investments or support to similar companies or markets.

Type A-actors seem to prescribe impact investing to deep-level impact where investments should directly trigger a positive outcome. These considerations align with concepts of investor impact, as discussed in Chapter 2. Here, Table 18 draws a connection between investor impact concepts and Type A actors described practice of impact investing.

Investor impact – Type A attributes	Examples
Capital allocation. ▪ Actors allocate capital to enable the growth of new or undervalued opportunities. Investment opportunities must align with the values or impact-generating objectives of the investor. ▪ Some actors accept a below-market return to generate certain outcomes, take on idiosyncratic risk or similar to achieve outcomes. Others see impact-return opportunities in underserved markets.	▪ In Merkur Bank impact-first products, clients invest directly in underserved markets. This provides 'new' capital to enable growth without concessions on risk-adjusted returns. ▪ Nykredit aims to provide an investment opportunity for clients willing to accept a below-market return to generate a particular impact. The investment setup takes on additional complexity, illiquidity, and idiosyncratic risk, to trigger additionality. ▪ Friheden Invest A/S takes a traditional financial approach to screen impact funds yet is more willing to disregard track records. Using the impact labelling, Friheden Invest A/S takes on more idiosyncratic risks to support new first-time fund managers.
Engagement & Contribution. ▪ Type A actors take a hands-on approach, using their privileged position as co-owner to influence companies or external funds managers to improve ESG-aspect and change behaviour.	▪ Færchfonden uses their co-ownership position to change behaviour in others and 'trigger' change to amplify their impact. The foundation co-invested in two well-known Danish traditional VC funds to accelerate local start-ups and bring in more resources. ▪ Færchfonden used its ownerships to direct VC management attention towards the region and support local start-ups.
Signal that impact matters ▪ Actors can send signals to the marketplace that impact matters. This can be achieved by favouring certain investments and advocating for change.	▪ The Repair Impact Fund, funded by Novo Holding A/S, invest in early-stage companies researching antibiotics., Furthermore, Novo Holding sends market signals to encourage more investments. For example, Novo Holding A/S attracted the attention of the Bill Gate Foundations, who have helped co-finance more research (Science Report, 2018).

Table 18 - Type A practice and relation to investor-'impact'

Likewise, some actors described how they saw an increase in investment opportunities that allowed for a more diversified impact portfolio, yet actor finds it hard to identify what they determined to be authentic impact investments. As described by Niels Jacobsen, advisor to Peder & Lysgaard Holding A/S, family offices:

> "*We hope to have the entire portfolio in impact. However, it is a difficult market, especially for smaller investors like us. If you are an institutional investor, you can easily find projects such as solar parks. However, for us, it is harder. The investments must fit into the portfolio as a whole. But also, it must fit with the wishes that the family has. There have been some financially sound products. However, they just did not fit into our ideas of impact.*"

Finding suitable investments seems to interlink with actors' challenges of incorporating impact criteria into the investment process. Many actors use values as guiding principles to judge investments at the pre-investment screening stage. Here the consideration of impact is an initial 'lens' to ensure investments aligns with values. However, many did not have the particular skills to evaluate potential social and environmental risks, with most relying on a solid understanding of the business case and screening the impact during pre-investment. As mentioned by Anne Louise Thon Shur, CEO of SDG Invest on how she identifies impact in private equity cases:

> "*I look at the business. However, I get many business cases, and my criteria for impact is that it should generate a difference and actively improve the world.* (…) *Those are our criteria.* (...) *On the business side, you have to work with real impact on your product or service. However, it is not easy, and there are few good cases.* (...) *We are starting to look at how we can invest in companies where we can help transform their business model towards the impact we seek.*"

Most Type A actors' practice is still nascent, yet many are looking to expand their skills to better understand the interlinkage between business aspects and impact outcomes. Only one Type-A actor seems to consider impact throughout the entire investment process, from screening, engagement, and exit. As described by Silja Nyboe Andersen, Product and business development manager at Merkur Bank:

> "When we have to find partners, we look at it very holistically. *The impact has to be integrated into the investment process of managers. However, we also look at their organisation and philosophy. For example, what does your annual fee go towards? Is it to give the CEO a big pay-check, or is it used to refinance the impact* ecosystem that one believes in (…) We have a very comprehensive *process that we are constantly developing.*"

Here Merkur Bank screens both the external fund's managers' impact- and intentions, seeking to understand how external investment managers aim to achieve *real-world outcomes* and integrate them into activities. This helps inform Merkur Bank on potential impact risks and provides a holistic understanding of external funds managers impact management.

Another characteristic for some Type A actors seems to be a collaborative 'mindset' and cross-sectoral partnerships. As expressed by Jesper Thinggaard, First Vice President at Nykredit Private Wealth Management:

"*We need partners who can deliver on the impact part of the investment. We cannot build that part alone. We do not have the insight to do so. We are financers and depend on partners who want to go in the same direction as us. They need to understand how we* view pure impact. (...) We *find the capital; they find the projects. It is the only way we get access to exciting investments.*"

Similar reflections were made by other Type A actors, who believe cross-sectoral partnerships are essential to achieve their impact or participate in the marketplace. Many acknowledge that impact-generating activities are achieved through the merger of different skills-set and resources. Similar ideas of cross-sectoral collaboration and multilingual partnerships are explored by Clark & Emerson (2014), who discuss how the supply-side needs to draw on new types of partners to achieve blended value. As reflected in the quote from Nykredit, evaluating *real-world outcomes* often resides outside 'traditional' financial *means*. Most Type A actors seem to value collaboration as a way to foster investment, perhaps because Type A actors' commitment to impact-generating strategy requires greater flexibility, as expressed by Martin Nygaard Christoffersen, CFO at Færchfonden:

"*We have had to create an ecosystem of partners who can support our work and mission. We do this by partnering with people who have competencies and resources that reside outside of our organisation. We believe ecosystem thinking works if you need to make a difference.*"

As Type A-actors define impact investing strategies within a narrow set of values, their investment universe also becomes limited. Therefore, some actors may feel compelled to explore new partnerships to build marketplace infrastructure and access new investment opportunities.

5.5.2. TYPE B & C – PRACTICE

Overall, Type B and C actors raison d'être are to ensure that capital allocations to impact-oriented strategy can:

- Provide appropriate risk returns
- Fit within a diversified portfolio
- Delivers on financial performance objectives.

For most actors, impact investing is still in its infancy, as many are still adapting to the notion of ESG and integrating it into practice. The adoption of ESG builds on the notion that non-financial aspects can be financially relevant - or at worst, does not detract from returns. As impact investing is still new, many still questions if it has similar properties. Overall, actors believed they could not detract from returns, as fiduciary duties demanded that they deliver on financial performance objectives, as mentioned by an anonymous asset owner, who comments on the dilemma between earning a return and having an impact:

> ”There is a dilemma. *If one must sacrifice returns in the service of the good cause. Then there will also be fewer funds to distribute as grants. I do not know how to get beyond it. I do not see it as an excuse to avoid making impact investing. But we must make sure it can deliver the return needed. Let say we make 0.5% less in return, meaning we have 50 million DKK less to distribute for grants. How do you calculate those considerations?*”

Similar is mentioned by Michael Johansen, Head of Asset Management Sales at Handelsbanken, as he reflects on the newness of the marketplace, practice, and the need to balance with financial performance:

> “ *You have to have an understanding of what you work with and have to build an organisation around it. You cannot be an impact investor in all areas. You have to choose an area where you have competencies and work to make a difference* (…). *We can supply products. However, we must also ensure that it delivers the return to the customers*. (…) *There are two goals for customers. The primary is delivering a return - preferably a market return or better. However, we must also future proof their wealth*. (…) *We want to be more impact-oriented when the market allows it.*”

Despite its relative newness, all actors are familiar with the term yet either question how it fits within a diversified portfolio or tries to figure out how to approach ‘impact’

from an investment perspective. From interviews, actors seem to take on three ways of practice, as illustrated in Table 19:

Practice	Description
1. Taking an impact-oriented portfolio approach	Actors are piloting impact portfolios that address broad social- and environmental challenges. E.g., investing in company's where the business model, service or products contribute to solving overarching SDG challenges.
2. Categorising assets that have social- or environmental benefits	Actors benchmark assets in relation to their outputs, e.g., the Co2-footprint or SDG-alignment of investments.
3. Assessing the impact of investment activities	Actors strive to engage or optimise outcomes, e.g., through engagement or pivot assets towards sustainability-themed areas.

Table 19 – Type B and C actors' approach to incorporating impact into the investment process

Overall, most Type B and C actors described having ambitious goals to allocate more resources towards one or more of these practices.

Actors who take on an impact portfolio approach seems to follow formulaic thinking that ESG equals impact investing. Their awareness is still limited to this arena, with impact investing standing firmly on the shoulders of their ESG practice. In interviews, actors often describe impact investing as a more inclusive approach that merges exclusion- and integration-based strategies. For many, an impact-oriented portfolio approach included one or more features, being[28]:

- *Exclusion-based screening*, where actors exclude certain sectors, industries, or companies with poor social or environmental track record
- *ESG risk-return optimisation*, as actors, aligns with assets that display a positive correlation between sustainability activities and financial performance. Actors incorporate best-in-class or ESG-aspects to improve the portfolio's long-term returns or objectives (e.g., lowering the portfolio C02 footprint, safeguarding human rights etc.)

[28] *Please see Chapter 2 and Annex A. for descriptions of the features of SI strategies*

- *Taking on a positive inclusion stance*, actors identify companies, fund managers, or others who align with social or environmental areas. This could be investments, where the financial success is driven by progress aligned with, e.g., the SDGs.

Every actor seems to be formulating their impact-oriented portfolio based on these features, with minor variations on criteria and objectives. An example is given by Mads Søndergaard, Head of Responsible Investment at BankInvest:

> " *We look at three areas. First, we look at how our investments contribute to the SDGs. It is not impact investing by pure definition. However, we are impact focused. We look at the SDGs and try to understand how our investments and companies can contribute to them. Secondly, we have a strong focus on lowering CO2 emissions (...) We have some goals on our SI funds to reduce our CO2 emissions by 50% compared to an SDG benchmark (...). That is very ambitious and aligns with The Paris Agreement. Thirdly, there is the investment perspective where we analyse companies on ESG. For example, looking at how companies' handle environment, social and governance issues.*"

Due to their size and portfolio diversification, Type C actors also described examples of impact-oriented portfolios which included private markets assets, as described by Thomas H. Kjærgaard, Head of ESG at Velliv:

> "*When we look to invest in a manager or fund, then they should be able to document the intent. There should be intentional criteria to have a positive social and environmental footprint and include a solid list of exclusion sectors. That is our approach. There should be a solid, measurable intent.*"

Many actors explained how they were piloting an impact portfolio to build experience and expand the practice. For example, PensionDenmark mentions how they allocated 10 billion DKK towards two public markets impact portfolios and seeks to expand their investments in other sectors that align with broad impact levels. However, for PensionDenmark and others, the impact aspect was not the only relevant component, as any social or environmental area should be understood in the context of risk-return. For many, impact investing still have unclear boundaries, and it was not well-specific how impact investing in itself becomes a distinctive investment strategy.

For many, ESG-considerations were an established practice, as they were deemed financially material and impact-oriented, yet also created confusion in the marketplace. From interviews, it was clear the marketplace still needed more context to what

constitutes impact investing. As reflected by Henrik Franck, Chief Investment Officer at Formuepleje:

> "*Many put a label on their investments and call it sustainable or impact. I believe that we are light years ahead of the others and do it entirely differently and deliver real impact. However, I am not 100% sure of what or how others are doing it. I think many people do some ESG or exclusion and label its impact. That is not impact or sustainable; it is responsible investments* (...) *We need a clear boundary on these things.*"

Particularly, Type B actors (both asset owners and managers) seem more open to expanding their investment practice and product offering. However, there needs to be a market that can provide attractive investment opportunities or give a competitive advantage. This influences actors' adaption of impact investing as it grows within the context of risk-return and market opportunities. As discussed by Klaus Hector, Partner at Atrium Partners, as he mentions their ambitions of becoming a leader in the field:

> "*I think it will be crucial in terms of running a business in our industry. That we as a company can deliver a strong value proposition in this area. Our ambition is to go further down the track. It is about creating a track record on our impact portfolio and expanding our products to, e.g., private markets. It is about building the organisation in this direction.*"

Next, some actors did not refer to any distinct impact investing practice yet used the term impact in reference to other SI strategies. For some, the relative newness of the marketplace means it was difficult to adopt any narrow sense of the definition or practice. In interviews, there seem to be unclear boundaries between actors' perception of outputs *vs* real-world outcomes. Hence through impact-alignment strategies, actors tried to quantify the social- or environmental outputs to illustrate real-world outcomes. For example, measuring Co2 footprint or the ratio of assets in sustainability-themed areas to provide actors with an understanding of their alignment with the SDGs. As exemplified by Jan Kæraa Rasmussen, Head of ESG at PensionDanmark:

> "*We exclude things we do not want in our investment universe. Secondly, we make commitments with other investors (...) Thirdly, then we try to measure impact. Where we are furthest is on emissions or water measurement. (...) It will be important in the future and important for us investors that we can*

document to those who have money with us that they make an impact on the world. The idea is that our entire portfolio should measure impact."

All actors had ambitions to better understand their footprint. Similar, others wished to **understand the 'impact' of the investment and** contribution to real-world outcomes. As mentioned by Hilde Jenssen, Head of Fundamental Equities at Nordea Asset Management, when asked to define if their funds could be categorised as an impact- or ESG fund:

"*Yes, that is a good question. We have some funds that I see as impact funds. However, they do not fit into the pure definition and investment philosophy of impact. With our climate fund, we have had a real impact on reducing the Co2 footprint of companies. We can show quantitative savings that we have contributed to through our active ownership. We have helped to put companies in a* **greener direction (…). The big difference between a pure impact fund and us is** *that they have specific KPIs consistent for the entire portfolio. For example, they wish to save a certain number of tons of CO2 emissions. Here, the KPIs are very top-down managed. We have chosen another path; we are bottom-up investors and seek to identify stocks that can deliver alpha. Through ownership or pivoting towards sustainable companies, we believe investments can deliver a better result. Therein we have a positive impact*".

Similarly, some Type C actors refined from having an impact-oriented portfolio, as they believed impact should be achieved through all investments and not only in a niche investment area. Additional to actors using impact quantification to evaluate outputs, they also actively used engagement to influence the activities or behaviour of companies to improve ESG practices. As mentioned by Troels Børsild, Head of ESG at AkademikerPension:

"*We do not look at impact as something that is enclosed to our portfolio. We want to have an impact on the whole portfolio.* (…) *First, we want to understand the impact our investment generates* (…) *Second, we engage companies to shift them in a greener direction. Just last week, Toyota shifted its climate lobbying policy. That is a direct outcome of our and other investors engagement with them. That is an impact that changes things.*"

Type B to C actors interpret the 'impact' term differently and strive to optimise it through investment activities. However, it became difficult to interpret what objective or intent actors aimed to achieve. As discussed in Chapter 2, impact is the changes caused in the real world through investment activities. Meaning, the investment must

trigger a change linked back to the actors' intent or activity. Actors framing of impact seem clear-cut, yet many only had a theory about how their investment generated real-world impact or measured investment outputs, as they broadly interpret impact to weigh in risk-return considerations.

Overall, Type B to C actors found it hard to identify with an impact investing practice that fits within the acknowledged definition due to fiduciary constraints. For many, impact equal aligning with social or environmental areas.

5.5.3. PRACTICE & INSTITUTIONAL MEANS-ENDS

To use an illustrative example, impact investing strategies in Denmark is still a small-size two-seater airplane being modified in mid-flight as actors are venturing and re-designing strategies as they go along. In the previous section, almost all actors referred to institutional *ends* of motivations or institutional *means* of practice to adopt strategies with blended value. Despite *ends* and *means*, it is important to note that such adoptions are widespread with ambiguities and subjectivity. Actors' ability to adopt strategies is dependent on individual characteristics and responses to *institutional complexity* when confronted with dual *logics*.

Across actor categories, investment *logic* is influencing the adoption of impact-related strategies. From findings, it seems clear that actors prioritise investment *logic* in pre- and post-investment. The institutionalised rigour of using financial considerations is more closely related to actors' institutional *means* (Yan et al., 2019). Here impact considerations in the investment process are still underdeveloped and unclear for most actors.

However, there is a difference in how actors interpret institutional *ends* to adopt impact investing practice. On the one hand, for Type A actors, institutional *ends* of values and motivations to achieve *real-world outcomes* become sources of *legitimacy* that opens new considerations to investment *logic* and financial *means*. On the other hand, risk-return remain the source of *legitimacy* that constrains Type B and C to stay within well-institutionalised scripts of financial considerations, often transferred from other sectors or actors experience with SI strategies.

Greenwood et al. (2011) argued that in an emerging institutional field, some actors would prioritise *logic* favourable to their institutional *means* and *ends*. While Type A actors view impact investing as building on traditional investment practice, they can divert from investment *logic*, as their interpretations and motives separate it from mainstream investing. For Type A actors, impact and investment *logics* engage in a collaborative relationship. The low prevalence of investments *logic* opens new considerations of incorporating values or impact objectives into the investment practice. For example, Friheden Invest A/S illustrates that actors use institutional *ends* of values and impact logics to guide their financial *means*- and investment strategy.

Vice visa, Type B and C *ends* of investment *logic* still govern their practice yet are not resistant to impact consideration. In interviews with Type B and C actors, this study found that actors are deeply embedded in the investment *logic,* where several actors made distinct references to distance themselves from 'pure' impact investing, insisting that their institutional *ends* were to achieve market-rate financial returns. However, the same actors believed that impact and investment returns are not opposites. As seen in the previous sections, some actors are motivated by market demand, while others wish to (re)-orient towards more social- or environmental areas as 'it's the right thing to do'.

In an *emerging field*, the institutional *complexity* experienced by actors is never completely fixed (Greenwood et al., 2011). For Type B and C actors, impact- and investment *logic* are not incompatible, yet the institutional *means* and *ends* to meet fiduciary constraints govern the practice they can adopt. The prevalence of investment *logic* will continue to influence these actors, however, as awareness towards impact investing grows, actors may deviate as impact logics become *legitimate* or investment opportunities mature, allowing more impact-generating strategies to become mainstream. As of now, impact plays a complementary role to investment *logic*, as these actors are still trying to translate how traditional investment practice can incorporate impact considerations.

The *diversity* of strategies adopted by actors shows the nuances of an *emerging field*. Type A actors pursue value creation strategies, meaning investing to generate or align values with an impact. Others adopt value capture by investing to deliver financial returns in alignment with broad impact themes. The difference in value creation and capture show that actors target various causes and outcomes. Another type of *diversity*

is evident in actors financial return demands, as some are willing to accept a lower return for impact outcomes. In contrast, others maintain return requirements while striving to align or optimise positive outputs. The *diversity* in interpretations, motives, and practice showcase an increasingly vibrant Danish marketplace with undefined institutional boundaries that allow various actors to enter and bring in practices rooted in other fields.

5.6. PERCEPTIONS OF MARKETPLACE BARRIERS

Given the above, the following section will explore actors' perceptions of barriers to participating in the marketplace. During interviews, actors were asked to reflect on barriers relating to their work and ambitions to adopt impact investing. These answers summarise actors' worldview(s) of interpretations, motives, and practice while giving insight into the marketplace's maturity. Hence, this section collects these answers and discuss two overall themes which emerged from interviews.

As seen in previous sections, it was possible to segment Type A to C actors. Here similar patterns were evident in how these segments of actors perceived barriers. For example, Type A asset owners can depend on the financial services of Type B asset managers. Here Type B asset managers interpretations and practices of impact investing influence the range of impact products coming into the marketplace. The product range influence Type A asset owners' ability to construct an impact portfolio that matches their values. At the same time, Type B asset managers will also depend on a diversified marketplace and pipeline of investment opportunities that match fiduciaries constraints. Overall, actors' perception of barriers influences how capital can be deployed and the marketplace develops. The following will discuss each theme and interconnections between categories of actors.

5.6.1. LACK OF SHARED LANGUAGE & STRATEGIES

From Type A to C, actors exhibit an awareness that impact investing involves blended value. However, the impact is defined according to internal values and organisational *characteristics*. As more actors enter the marketplace, institutional tensions can arise if divergent activities, behaviour, and interpretations exist (Castellas et al., 2018).

Here, Roundy (2019) discusses *coherence*, i.e., the extent to which actors display similar behaviour or engage in similar activities, as essential to ensure a vibrant marketplace. Accordingly, actors should engage in similar activities or understand what it encompasses for impact investing to build market *legitimacy*. Here Type A to C actors expressed challenges in 'speaking the same language' or having a shared understanding towards impact investing principles or what constitutes *investing with impact*. These language barriers are encapsulated by Peter Haahr, CFO at Novo Holdings A/S, as he reflects on challenges:

> "*I find it hard to talk about a market. There is no one market. A stock is a stock that we can all relate to. However, the impact investing market is disorderly. We can, e.g., invest 10-20 million USD in developing new cancer drugs. However, we do not see that as an impact. Others can call it that. It starts with being immature and not standardised.* (...) *I think one should have articulated what impact investments and investment with impact is. It is challenging to talk about impact investing when you do not have the same opinion. It could be nice to have a common framework.*"

All actors expressed a need to alleviate barriers related to marketplace confusion on definitions and classification of practice, for example, differences between impact investing and other SI strategies within a portfolio. As of now, there is little agreement on what constitutes impact investing or what actors could claim as real-world impact. For example, some argued that investor 'impact' or strategies in public markets could not be claimed as having real-world outcomes, as mentioned by Silja Nyboe Andersen, Product and Business Development Manager at Merkur Bank.

> "(...) *I am a very small fan of buying a stock and feel like you made a difference in the world. Public markets is not impact. Particularly not if you invest in stock. Then it is nothing more than a transaction that happens between two people or two companies. We need people to understand, we need the more direct impact, and we need to fund new projects.*"

Others believe that any narrow definition would discourage adoption and opportunities. As mentioned by Morten Malle, Chief Investment Officer at Lærernes Pension:

> " *The definition can also become too narrow. We need to include the broad investment universe as a pension fund* (...) *impact for us is an opt-in in something and opting-out of something else.*"

Better classification of impact investing definitions and strategies could help actors navigate the marketplace and match with like-minded. As of now, most actors seem to agree that the mainstreaming of SI strategies will continue and looks to understand how impact investing can become a distinct strategy. Hence, most actors differentiate impact investing based on its real-world outcome properties, however, actors also find it challenging to clarify or communicate what constitutes investor 'impact'. Likewise, most actors agreed that an end-goal for any impact portfolio should directly link to blended value. Yet, Type B and C actors' broad-level impact focus makes it hard to directly link values with investments, as reflected on by Michael Johanssen, Head of Asset Management at Handelsbanken:

> "*That is because impact investments mix it all together. Impact is a feeling. It can make sense to a client. However, it can also create conflicts because the professional investor needs to deliver returns. He looks for diversification. He looks for good returns and wants to have a good feeling that he can deliver on that to his owner and shareholders.*"

Understanding the nuances between impact investing definitions and strategies segmentation would help actors navigate the marketplace. As of now, the lack of shared language obscure actors' ability to communicate on impact objectives, which increases the risk of impact-washing (Findlay & Moran, 2018). As discussed in previous sectors, this study believes actors are beginning to segment themselves into either:

- Value-alignment
- Impact-generating
- Impact-alignment.

These segments of strategies could help clarify language for Type A to C actors to communicate their value and impact objective to better navigate the marketplace.

5.6.2. LOW AWARENESS & OPPORTUNITIES

Overall, actors generally face the same challenges regarding lack of access to high-quality investable opportunities. The challenge seems to exist across private and public markets. Some actors express concern about the marketplace maturity, including low awareness, specialised impact expertise, and 'impact washing' risks. However, this study observes how some challenges are unique to each segment of actors. Meanwhile,

this study argues that barriers' perceptions could be linked to a lack of shared language and weak strategies segmentation that limits actors' ability to navigate the marketplace and identify the right partners. Here several actors mention the need for marketplace *coordination* and *coherence*, as discussed by Klaus Hector, Partner at Atrium Capital:

> *"I think there is a lack of a forum, or several forums, where you can meet. Investors and people with knowledge, etc. Where you can talk completely informally and build learnings together."*

Actors explained the need for explicit intermediation of activities that could tie the marketplace together. As of now, the lack of *coordination* and *coherence* means actors operate mainly in silos. As discussed by Peter Engberg Nielsen:

> *"The market is very silo-divided. Whether it is the public, private or financial sector. There are no pathways that work across."*

To break down marketplace silos, Clark et al. (2014) discusses how the nature of impact investment demands multilingual leadership, with actors combining financial- and non-financial expertise to expand the marketplace- and investment opportunities. As of now, Type A to C actors perceives the Danish marketplace and own multilingual leadership as nascent.

Furthermore, the silo-divided marketplace could reinforce investment pipeline issues as actors are still developing their understanding and practice, which forms barriers throughout the investment value chain. For example, it takes multiple sets of decision-making, organising and network for Type A actors to adopt an impact-generating strategy, as some are dependent on what is available in the marketplace. As the marketplace is still in a 'learning mode', it can become challenging to deploy capital when the value-chain is still nascent, and other actors are building practice. The pathways through the investment value chain will depend on each actor's organisational characteristics and institutional means. However, *coordination* amongst actors is needed to bring investment opportunities forward, as exemplified by Jesper Thinggaard, First Vice President at Nykredit Private Wealth Management:

> *" The challenge at the moment is finding enough projects that make sense and have a good impact. Projects that are worth spending resources on. Here we see several challenges. (…) For me, the problem is that I cannot get enough volume and get beyond initial piloting. The question is, how do we get this ecosystem up*

and running with NGOs, companies, and customers. We have the money. However, it is about getting that ecosystem running, so it makes sense."

As of now, actors still view the value chain as underdeveloped, which results in a lack of opportunities. Particularly, Type C actors find it challenging to identify investment opportunities that fit with portfolio norms. Large-scale Type C actors typically have policies that prohibit them from investing in, e.g., external funds with limited track records (often less than 3-5 years) or have the ticket size or risk-return profile to accommodate criteria. **Despite GIIN's annual survey indicating that** the impact market is maturing, Type C actors still find it challenging to navigate the marketplace. As mentioned by Jan Kæraa Rasmussen, Head of ESG at PensionDanmark:

"*Our overall challenge is scale. We have a rule that we do not invest in anything less than 50 million euros. This means that we cut ourselves off from almost everything as it is at the moment, particularly those defined as pure impact funds.*"

The inability to deploy capital limits actors' participation in the marketplace. In practice, the maturing of the marketplace to attract large-scale investment from Type C actors demands the testing, development, and track-record of new products, which takes several years. Despite the marketplace barriers, actors' expectations of activities and ambitions towards impact investing are driving their willingness to stay engaged, as expanded by Jan Kæraa Rasmussen:

"*We are on a journey. Impact is a clear focus area for us. When the right opportunity presents itself, we look to invest*".

The interlink in the impact investing value chain is often overlooked in the literature, where scholars have traditionally focused on specific parts of the marketplace (Ormiston et al., 2015). As described in Section 5,4, for Type A asset owners, impact investing means setting goals or defining values that can translate into an investment strategy. The limited capacity in the value-chain to reflect asset owners' values could create barriers when asset managers need to build an impact portfolio based on their clients' wishes. As of now, some Type A asset owners describes challenges in matching with partners who can deliver on their impact investing ambitions. For example, on the one hand, asset owners may lack the ability to communicate values that inform mandates to asset managers. While on the other hand, asset managers lack the in-house impact investing capacity to serve these needs. As expressed by Anne Grete

Lysgaard (asset owner and founder of the family office Peder & Vitta Holding A/S) who believe advisors need to come up the learning curve to discuss how values translate into impact investing strategies:

> "*We had no previous experience with investing. However, we were shocked at how little knowledge and reflecting those in the financial sector are about their type of products. Banks are not interested in talking to clients on values or things that are important to them.*"

Similar issues of specialised impact investing knowledge are also mentioned by Peter Engberg Nielsen, whom both foresee problems for many asset managers:

> "*The traditional adviser and the banks have a tough time with this. They are not trained for it. Moreover, they fear promising something that they cannot keep and results in green-washing. As of now, there are not enough products or shared language to talk with clients about values.*"

Similarly, screening on investments on impact aspects has traditionally not been part of asset managers institutional *ends* or *means*. As described in the previous section, actors assess impact during pre-investment yet express challenges in incorporating impact through the investment process, as there is a limited awareness to expand the current practice, as expressed by Peter Normann, Head of Asset Management at Arbejdernes Landsbank:

> "**We do not have** *the skill-sets to work with impact. That is the challenge. We draw a lot on our partners, but if we move beyond our current work. Then it will require that we make a new organisational setup.*"

Despite barriers, Type A to C actors remains optimistic and ambitious in their orientation towards impact investing. Here interviews confirm that Type A to C actors is concerned about gaps in the marketplace. However, one of the implications of interviewing a wide range of supply-side actors has been identifying how barriers may be perceived differently or reinforce each other. As a result, a holistic approach is needed to map the interconnection in the marketplace. For example, it will not be enough to strengthen the investment pipeline if asset owners and managers do not have the capacity to source opportunities. Likewise, there is a need to better segment actor impact investing strategies to coordinate and match demand-side opportunities. Understanding these gaps, categories of actors and segmentation of strategies influence the marketplace.

The last section summarises the findings made in Chapter 5 and links to the context described in Chapter 4 to understand how public- and financial actors interlinkage.

5.7. FINANCIAL ACTORS & THE DEVELOPMENT CONTEXT

This section seeks to compare findings on the public- and supply-side to interlinkage the two parts of the marketplace. As described in Chapter 4, there is a growing awareness in Danish development policy- and strategy to widen the field for financial investments and leverage the Danish supply-side. For example, the SDG Investment Funds shows public initiatives to mobilise institutional capital.

Meanwhile, Chapter 5 outlines how Type A to C actors are becoming more comfortable with impact investing, with actors adopting strategies to participate in the marketplace. Within the supply-side's motives and practices lies a range of configurations that better match the development context. As documented, the broad range of strategies from impact-align, impact-generating to value-alignment shows the *diversity* of financial actors seeking blended value, with some actors expressing an interest in impact themes targeting developing economies.

During interviews, several financial actors mentioned how impact investing and developing economies are the perfect fit, either through motives to achieve deep-level impact or impact-aligning strategies. As Danida's policy initiatives continue to evolve, impact investing has by literature been documented as having the potential to re-orient towards development objectives (McCallum & Viviers, 2020, OECD, 2019; GIIN, 2019b; Mogapi et al. 2019). As Chapter 5 sought to categorise the supply-side, this study understands financial actors for their *diversity*, rather than being one universal group. The categorisation helps nuance what type of actors overlap with impact investing for development. Here Figure 9 interlinks each Type A to C actor with the development context.

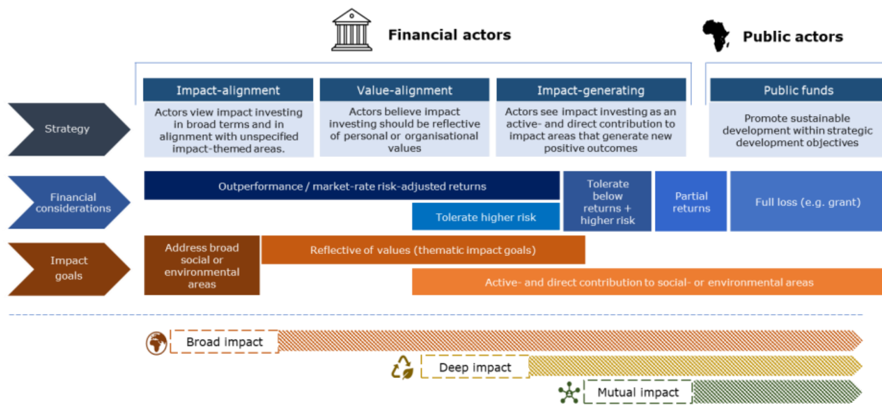

Figure 9 – illustrate the features of financial actors' adoption of impact investing practice.

Type A – Value-alignment & impact generating

> *"We have parts of the family who would like to invest in Africa and help improve conditions locally to heighten the standard of living. (…) I think there are many possibilities to invest. There are different types of investment funds that are specialised in those markets. (…) However, I also think it can be difficult to find the good impact funds that align with our ambitions and genuinely seek impact apart from those who just call themselves something with impact."*

The quote is by Per Hillebrandt, CEO at Friheden Invest A/S, a Danish family office, as he reflects on initial considerations of sourcing impact investing opportunities in Africa. As mentioned, for Type A actors, investment opportunities should reflect values or contribute directly to real-world outcomes. Here some Type A asset owners seek to directly target developing economies, such as Friheden Invest A/S. While others pay less attention to, e.g., companies or funds geographical focus, but looks more at the core business model or strategy. Consequently, if matched with the right co-investment opportunities, some Type A actors could be acting as market catalysts and target ventures of different stages (early-stage, first-time funds or scale-up). As mentioned by Per Hillebrandt, CEO at Friheden Invest A/S, as he discusses their willingness to take on more risk to support a marketplace- and source value-alignment funds:

> *" We would like to find managers who have a track record. However, we also recognise that many do not have that history. We must accept this if we want to go into impact. For us, first-time funds are not a showstopper. If the purpose and*

the people are present, then we can compromise. (...) E.g., by taking a smaller return with higher risk. Or higher returns with higher risks. The impact can outweigh"

Type A actors could be well-positioned to experiment and innovate with co-investments opportunities that do not meet the risk and return criteria of Type B and C actors. Either from asset managers motivated to differentiate themselves by providing more impact-generating products to clients or asset owners seeking value-aligned investments. Even though all actors expect a financial return, there is variation among actors concerning levels of returns or risks. As mentioned by Jesper Thinggaard, First Vice President at Nykredit Private Wealth Management in Nykredit, on their considerations concerning impact-generating strategies and engaging in development projects:

"*I wish to show clients that they can get a return and make a difference. I think people would love telling a good impact story, rather than telling that they got 6% in return, instead of 5.9%. Instead, I think people would like to show how the projects that they have been involved with make a difference.*"

Some Type Actors are willing to make a trade-off, either lower returns or taking more risk, in exchange for real-world impact, as Type A actors are engaged by causes, they care about. Most Type A could invest in opportunities with higher risks (or lower returns) if the impact themes, business model, or fund management resonates with them. With some being more favourable towards, e.g., early-stage Danish-based companies targeting developing economies. Notably, several Type A asset owners mentioned a proximity principle concerning direct investments in companies, where the business model is designed for developing economies. Here actors preferred companies with a Danish-based team and business culture. As mentioned by Louise Thon Shur, as she discusses impact investing in an African context:

"*If one thinks impact investing is difficult, then try adding an African aspect to the investment. It just gets more complex. However, having said that, if the company can solve problems in Africa. Then I am in. It just has to be a Danish company, as it is easier to manage. It is harder to keep a local business accountable.*"

Unless Type A actors have a direct value-alignment to developing economies, then the geography placement of the company play a minor role. Instead, the business model and actors' contribution get a higher priority. As reflected by Mette Fløe on her

investments in the Danish start-up company, LifeShelter, which provides housing solutions for refugees and focuses on developing economies:

> "*Lifeshelter is a great example of a business where I could contribute with my knowledge. I have no experience with Africa, but I could see that my knowledge of technology could lift that business. There is a global need for shelter solutions. I am not intimidated by Africa because I see an opportunity for profit, huge markets and just as importantly, make a huge difference.*"

The active contribution and alignment with the solutions play a larger role in their investments than development outcomes. The *diversity* of Type A actors suggests that some are willing to tolerate more risk or even below-market returns to achieve their intended impact. Here WEF (2019) discussed that demand-side projects in developing economies could greatly benefit from Type A actors, as there are a few investable opportunities that meet, e.g., Type B and C actors' criteria (as explored in the following sub-section). As actors build learnings on impact investing, some are expanding their practice to involve development contexts, as discussed by Peter Haahr, CFO at Novo Holdings A/S:

> "*I think we have succeeded in making a structure and process to make scalable impact investments. Now it is more about what topic we want to run with (...) it will not be inconceivable that we have 4-5 areas, which we will invest, including the humanitarian field.*"

To leverage Type A actors, the marketplace needs to connect impact investing strategies with the opportunity pipeline. Here findings from the previous section indicate that actors still operate in silos and find it challenging to match with specific opportunities, as there are still few intermediates able to match the supply- with demand-side projects within the context of development. Here the increasing *diversity* of Type A actors will increase the likelihood of demand-side finding a match if market *coordination* and intermediation follows suit.

Type B & C – impact-alignment

> *"(…) ensuring that we have the track record and experience has played a big role in PKA. It started in 2010, where we engaged in blended finance with the Danish government. Here we invested in microfinance which was a new asset class for us. This gave us the chance to try something new and build up new knowledge. Afterwards, we have made investments on our own. I think for many investors, it is about building the track-record before you dare to scale up."*

The quote from Louise Aagaard, ESG manager at PKA, shows the learning curve Type B and C actors express when observing impact investing for development. For many, the co-investment in public-private partnerships with IFU helped actors understand the ins and outs of investing for development. Connections to IFU's investment funds have successfully attracted a category of large-scale actors and increased the efficiency of leveraging institutional capital towards development objectives.

Type B and C actors rely on financial considerations and display a high prevalence of investments *logic*s. Similarly, actors need established financial products and track records that match these criteria to become engaged. Accordingly, GIIN (2019) mentioned that many fund managers specialising in impact investing for development have only recently launched, with only a few having the needed size or track record to match Type B and C actor needs. However, some actors were interested in exploring new geographical markets if it fits within portfolio norms. As described by Michael Johansen, Head of Asset Management Sales at Handelsbanken:

> *"We see Africa as a potential (…), but we will continue to work within our traditional investment practice and use our sustainability guiding principles. We have ambitions in this area and wish to become a supplier of impact funds. But it needs to align with how we can make a difference and have competencies."*

Many Type B asset managers saw developing economies and impact investing as a natural fit yet expressed the lack of institutional *means* (e.g., experience or in-house capacity) in developing products for these markets. Similarly, Type C actors are also excluded from large parts of the impact investing marketplace due to their organisational *characteristics*, which influence the projects they can be involved with. As described by Jan Kæraa Rasmussen, Head of ESG at PensionDanmark:

> *"The biggest challenge is scale. The next biggest is then risk-reward. Or risk management. Be able to understand dealing with risk, especially in the African*

regions. Therefore, it is typically good to have a blended finance structure where there is some loss-sharing structure. Like the structure, we have with IFU."

Type C actors would have the institutional *means* (e.g., resources and capital) to develop impact investing for development. However, these actors would have an explicit deal of resistance as they are deeply embedded in investment *logic*. So, institutional *means* and resources are less likely to be diverted towards policy initiatives with goals other than maximising value capture. Notably, Type C actors' investing aspirations could influence the trade-off made with the SDG Investment Fund, as IFU and Danida needed to offer attractive financial end-goals and compromise on development objectives, as explored in Chapter 4. Despite Danida's ambitions to promote investment with blended value features, these narratives build on solid investment *logic* and broad level impact to attract Type B and C actors. Overall, only when the marketplace can provide appropriate risk-return investments will these actors be able to engage. Therefore, impact-aligned strategies are appropriate for specific development projects, as actors cannot take unnecessary risks to achieve an impact outcome. As further explained by Jan Kæraa Rasmussen, Head of ESG at PensionDanmark, on the issues in finding opportunities and the complexity in operating in developing economies:

"Finding bankable projects with the suitable risk, returns, and scale is the real issue. We have looked at investment in tropical forests, which we believe will be the next big impact theme. However, it is complex. It is like a big puzzle where you have to gather ten players - at least five relate to investor segments and the rest to the pipeline. We can finance large projects, but not the development parts. That is the challenge. Who can generate quality investment deal and de-risk it?"

The narratives seem straightforward for Type B and C actors; if investable projects meet investment *logic*, then the capital will follow. Concerning developing economies, actors seem to be in a good position to adopt impact-aligned strategies once intermediates become specialised or opportunities become available (McCallum & Vivers, 2019)

5.8. SUMMARY OF FINDINGS FROM THE SUPPLY-SIDE

The following outlines the findings emerging from Chapter 5, relating to:

Theme Key terms	Supply-side - Findings
Impact investing principles ▪ Intent, contributions, measurement ▪ Impact & real-world outcomes ▪ Actors' motivations ▪ Organisational characteristics	▪ Actors interpret impact investing and how to achieve real-world outcomes according to their worldview(s) and organisational characteristics. ▪ There is no one definition, instead, actors observe impact investing through value-alignment, impact-generating, or impact-alignment. ▪ Type A owners see impact investing as a reflection of values. Impact labelling gives legitimacy and a sense of purpose. In contrast, Type A to C managers are motivated by (i) demand, (ii) organisational risks of not acting and (iii) being responsible ▪ Interpretations depend on how logic aligns actors' institutional means or ends and is filtered through individual characteristics.
Marketplace framework ▪ Actors ▪ Enabling environment ▪ Diversity, Coherence ▪ Coordination	▪ Actors' motives, interpretations and practices show market diversity, as actors explore pathways to participate and adopt various investment strategies. ▪ Limited coherence means diverged understanding towards impact investing definition. Actors have different interpretations of how to *invest with impact*. ▪ Lack of coordination means actors operate in silos, with limiting investment opportunities, awareness, and segmentation of practice. ▪ Some actors see a perfect fit being the development context and own interpretations of impact investing.
Institutional theory ▪ Institutional ends-means ▪ Logics ▪ Prevalence of logics ▪ Fields ▪ Institutional arrangements / complexity / legitimacy ▪ Organizational Responses	▪ Type A display a low prevalence of investment logics, as actors consider how institutional ends of motives and values (impact logics) match similar means of investment management (investment logics). Here impact- and investment logics complement each other to ensure value creation. ▪ Type B and C actors are embedded in investment logic and value capture. Actors express the importance of upholding financial considerations and investment logic to ensure impact investing fall within mainstream practice. ▪ Actors' institutional ends and means diverge on how to achieve blended value. Type A is more open to new considerations in investment practice to achieve real-world outcomes. Type B and C stay

	within well-institutionalised scripts of financial considerations, often transferred from other fields or actors' experience with SI strategies. ▪ The marketplace is an emerging field with undefined institutional arrangements. There is diverged views and uncertainty on how to invest with impact.
SAP ▪ Practice ▪ Motivations ▪ Types of activities ▪ Actors ▪ Interactions ▪ Strategy-making / objective	▪ Increasing market activity and diversity could influence project partners as they initiate strategy-making and interact with financial actors to leverage new resources.

Table 20 – Summary of findings from Chapter 5

As Chapters 4 and 5 explored the institutional level and conditions influencing the marketplace, the following chapter will discuss how project partners considered impact-related strategies. In Chapter 6, this study explores how World Wildlife Fund – Denmark, Danish Red Cross and Access2innovation initiated a strategising process.

*"Tackling **worldwide social and environmental challenges** through providing the means and funds for innovative entrepreneurs is maintained to be **the core vision** of the social finance movement."*

Brandstetter & Lehner
(2017, p. 448)

CHAPTER 6 - STRATEGISING & RESPONSES

The chapter aims to present the third part of the analysis by focusing on the project partners, World Wildlife Fund – Denmark (WWF-DK) strategy-making on bankable nature-based solutions, Danish Red Cross (DRC) commitment to innovative finance and Access2innovation (a2i) initiatives on impact financing (see the scope highlighted in yellow in Figure 10). As shown in the previous chapter, there is no one definition to impact investing. Similarly, project partners different terms shows that there is no one way to engage in related strategising. Instead, this study uses impact investing as an umbrella to capture projects partners different use of terms to work with new sources of capital to benefit individual strategic intents. For example, WWF-DK works to leverage capital with positive nature-based impacts, while DRC is committed to unlocking new capital for humanitarian response. Each partner represents different impact needs and works to identify new ways capital can be invested, in alignment with their strategic intent. Under the impact investing umbrella, project partners converge around similar trends where capital can achieve blended value, but the rationales and pathways to adopt new strategies are different.

Given the above, this study attempts to take an organisational-level view to examine how project partners interact, make strategies, and organise themselves. From its research design, this study uses Step 2 and Step 3 to take an exploratory- and action-based stance. Here chapter 6 is separated into the following sections:

- **Section 6.1.** The section frames the conceptual model used at the organisational level and strategising. Notably, the conceptual framework used.
- **Section 6.2 to Section 6.4.** The sections present the analysis of each project partner and their related strategising. Each section starts by drawing casual links between the institutional level (as described in Chapters 4 and 5) and how project partners observe challenges and opportunities. Following this, a description of how project partners initiated a response and strategising is presented.

- Section 6.5. The section summarises the findings and key themes and categorises them in relation to the conceptual framework

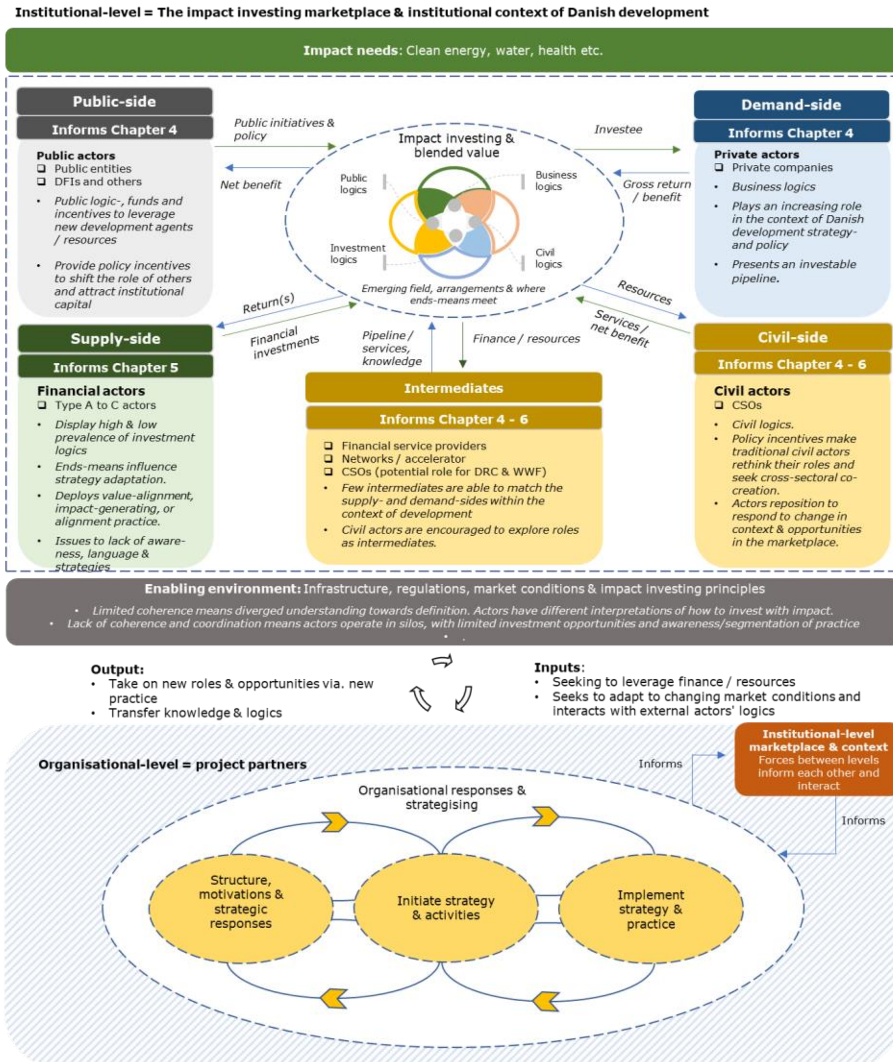

Figure 10 – The framework illustrates Chapter 6 focus on the organizational level.

6.1. THE ORGANISATIONAL-LEVEL & USE OF THE CONCEPTUAL FRAMEWORK

This chapter draws on the conceptual framework described in Chapter 2 to explore project partners during the research inquiry period. The following will briefly introduce how institutional theory and strategy-as-practice (SAP) applies.

Overall, scholars have argued for the application of SAP to better conceptualise organisational responses, motivations, activities, and practices that characterise how actors initiate or craft strategies (Smets et al., 2015). This is combined with how actors navigate institutional processes when developing new practices (Ibid.). In combination, SAP and institutional theory shed light on actors' practices, i.e., the type of activities, behaviour, norms, and procedures for thinking that influence strategy-making (Smets et al., 2011). At the same time, SAP emphasises practitioners, praxis and practices happening inside organisations (Ibid.). Combined with the practice-driven learnings that happen when actors engage in mutual learnings and activities (Smets et al., 2017). Here, institutional ends-means help frame how organisations experience this complexity when adopting practices or strategies that prioritise two logic sets (Yan et al., 2019; Greenwood et al., 2011). This study uses the conceptual framework to help connect the institutional- and organisational level. As described in Chapter 4 and Chapter 5, institutional theory gives a basis for interpreting institutional patterns and actors' institutional ends-means. Likewise, Chapter 6 applies SAP to narrow in on how project partners' responses, activities and interactions with the institutional level influence their strategy-making (Smets et al., 2015).

Finally, as the research inquiry period expands over several years, this study is limited to carefully chosen data that exemplifies the project partners strategising rather than recounting all activities, events, and observations. Here, the following sections will explore how project partners made strategies within the institutional context of Danish development and in interactions with other actors. These sections correspond to Figure 11, which provide structure to the analysis. This study begins with an analysis of WWF-DK work with bankable nature-based solutions (Section 6.2) before moving on to DRC practice in innovative finance (Section 6.3). Ending with an a2i's as network-facilitator (Section 6.4.).

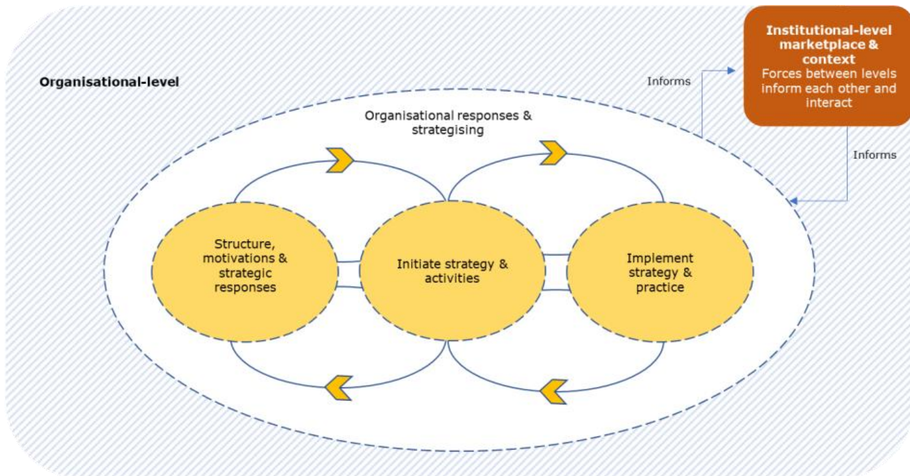

Figure 11 – illustrates the structure of Chapter 6 analysis of project partners. The figure is a basis for illustrating project partners strategising process after each section.

6.2. WORLD WILDLIFE FUND & BANKABLE NATURE-BASED SOLUTIONS

***Structure**, Motivations & Responses*

The non-profit organisation WWF-DK is part of the world's largest and independent conservation network WWF International (WWF Int.), active in nearly 100 countries worldwide (WWF int. n.d.). Here the organisations' strategic objective is to reverse the natural environment's degradation by (Ibid.):

- "*Conserving biodiversity*
- *Ensuring the use of sustainable renewable natural resources*
- *Promoting the reduction of pollution and wasteful consumption.*"

Moreover, WWF describes itself as a network-based organisation, where its composition and structure can be separated into two categories:

- *National offices* (such as WWF-DK) can raise funds independently and administrate them autonomously
- *Regional offices* are often located in biodiverse and developing economies. Their primary purpose is to implement the WWF mission in the country or regions with no national office presence (WWF Int, n.d.).

These offices collaborate with one or more national offices that provide funding for projects.

As a national office, WWF-DK operates as an independent legal entity with its independent Board of Directors and is subject to the Danish National Regulatory Framework. Here WWF-DK is also responsible for making and managing relationships with bilateral donors in Denmark. Overall, WWF-DK has a unique non-profit organisational structure as a commercial foundation and is subject to these rules. However, as is often typical for a foundation, the organisation does not distribute, but uses its funds to cover the costs necessary to fulfil its nature conservation objectives. For this reason, most WWF-DK revenue is in the form of grant-based funds, with a significant part relating to 'earmarked revenue' distributed for specific projects (WWF-DK, 2020a). As described in Chapter 4, the WWF-DK is part of Danida's Strategic Partnerships Framework and awarded an annual budget of 15 million DKK per year (Danida, 2018). During the research inquiry period, the organisation counted over 60 staff members and have program activities worldwide from local- and regional activities in Denmark to Latin America, East Africa and Southeast Asia.

To begin describing WWF-DK's organisational response to impact investing, this study outlines the external and internal conditions that influence the responses and later became rationalised at the organisational level before being translated into practice. In Table 18, the study summarises conditions noted from observations, interviews, workshops, documents and weekly meetings with WWF-DK senior management and staff to capture how the organisation expressed views on external/internal challenges and opportunities.

Most of the data were collected as matters unfolded, from Spring 2019 through to Spring 2021. The conditions listed in Table 21 give insight into the forces and interactions between organisational- and institutional levels and provide background for the following sections. Correspondingly, this study focuses on WWF-DK strategising on bankable nature-based solutions (BNS). BNS can be defined as solutions for environmental challenges that create a positive nature-based impact while generating a risk-adjusted return. BNS relates to impact investing as strategies aim to drive financial investments into sustainable nature-based activities (WWF Int., 2020a). Hence WWF-DK work with BNS represents their impact-investing related strategy.

Conditions	Description
	Macro challenges/opportunities ▪ The WWF Int. report (2020a) expose the macro challenges facing nature and biodiversity. The negative impacts of climate change and biodiversity loss are creating vast environmental challenges. ▪ A significant amount of capital is needed to reverse macro challenges (Credit Suisse, 2014). According to WWF Int., annual funding of 300 -400 billion USD is needed to close the gap, with only 52 billion USD currently invested. ▪ For WWF organisations, the impact investing marketplace and its blended value principles could be an alternative source of capital. ▪ **Overall**, WWF-DK sees all data pointing towards critical macro challenges that threaten nature worldwide and, hence, the organisation's mission. Diversifying funding sources and attracting financial investments is critical (WWF Int, 2020a).
Institutional level challenges / opportunities	**Marketplace & Context** ▪ The impact investing marketplace presents new opportunities for the organisation. The *response* for WWF-DK is to explore how BNS and impact investing can scale up nature-based activities. ▪ Other WWF organisations adopt BNS practice to catalyse work, which incentivises WWF-DK to initiate an organisational response. ▪ As described in Chapter 4, shifts in the Danish development context meant WWF are increasingly reorienting towards private and financial partners. ▪ **Overall**, changes in the marketplace and trends mean WWF-DK has to (re)positioned to remain a relevant development actor and stay connected to the changes in funding flows and adopt new BNS practices.

Internal challenges / opportunities	Organisational-level ▪ WWF-DK aims to engage with the private and financial sectors to enhance its objectives and harness new opportunities. ▪ WWF-DK has considered adopting an impact investing approach for several years to strategically reposition itself towards BNS- and new income opportunities. ▪ **Overall**, senior management views impact investing-related strategies in BNS as a response to new opportunities. However, the organisation has raised concerns about the WWF-DK commitment, resources, and readiness to engage in an entirely new practice.

Table 21 – Summary of observations made on WWF-DK views on external/internal conditions

The following section describes how WWF-DK observed conditions at the institutional level and how these translated into an organisational response. The section connects the organisational level with changes happening within the impact investing marketplace and Danish development context.

6.2.1. OBSERVING CHALLENGES AND OPPORTUNITIES

*Structure, **Motivations** & **Responses***

The adverse real-world outcomes that arise from biodiversity loss and climate change are increasingly experienced by nature and communities across the globe (WWF Int, 2020b). From senior management to program staff, the WWF organisation acknowledge how the accelerating challenges facing nature demands new practices, partners, and alternative funding sources to keep pace with nature degradation.

Similarly, WWF-DK observed changes happening within the context of Danish development, as policy initiatives encouraged civil actors to partner with private- and financial actors, to promote new types of partnerships and investment practices. Accordingly, WWF-DK point-of-departure to explore impact investing and BNS started from a *motive of curiosity* to understand how an emerging marketplace could mobilise new types of funding toward strategic intentions. Correspondingly, senior management discussed how WWF-DK could engage and sustain impact investing efforts, as the organisation saw clear overlaps to its operating model and objectives. One

influential agent pushing initial thoughts was Jacob Fjalland, Conservation Director, who mentions working with impact investing strategies as a recurring topic on senior management meetings, as mentioned in the following:

> *"We are very aware of the shifts taking place in these years. First and foremost, climate and biodiversity is a global crisis, and it is on everyone's agenda right now. We can see more money and actors coming into the area, and we must continue to be ahead of that development and support it."*

Here shifts in the development context combined with an emerging marketplace initiated by curiosity and *motivation* to understand how WWF-DK aligns with these trends. Hence, within the WWF int. network, efforts to engage on impact investing and BNS was already underway, as other national offices began launching initiatives and *practice* to leverage capital towards BNS opportunities. Across the network, WWF organisations began sharing learnings on how to structure, launch, and finance BNS deals or accelerate initiatives. For example, the Landscape Finance Lab was supported by WWF Int. to support incubation and knowledge sharing on BNS (LFL, n.d.). Similarly, the WWF Netherland (WWF-NL) established the Green Finance Unit and launched a consortium of partners under the Dutch Fund for Climate and Development to incubate and invest directly in BNS projects across the WWF network (WWF-NL, 2019)[29]. The establishment of forums, knowledge sharing and engagement with other WWF partners contributed to WWF-DK considerations of impact investing and BNS practice. Through the WWF Int network, the organisation could tap into lessons learned, inspiration on roles to play and ways to engage impact investing. For example, WWF-DK considered various roles relating to:

- Creating advocacy around SI- and impact investing for nature
- Incubating- or pipeline development of BNS
- Collaborating with financial actors to leverage funds for BNS.

As activities grew in the network, WWF-DK began to ask essential questions about their readiness to engage, such as what internal capacity and resources were needed to succeed. As mentioned by Jacob Fjalland, Conservation Director:

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[29] *Other WWF Int. initiatives include the Impact Ventures & Genesis Biodiversity Fund in Switzerland meant to provide early-stage funding for private actors (WWF Ventures, n.d.). On an institutional level, WWF offices also actively work to influence the enabling environment and policy development around SI-strategies (WWF-UK, n.d.).*

"We as an organisation have had these thoughts ourselves. It has been a search for how we can position ourselves in this. The initiatives in the WWF network have been reinforcing our ideas. When WWF NL shares their work and journey, it also impacts our thinking and strategy. If WWF NL can do it, then why can't we?"

Here WWF-DK was *motivated* to explore new funding sources to diversify income beyond traditional **'earmarked funding'**, where resources are awarded for specific projects and fixed periods. Here *practice* in BNS could open alternative funding and new resources to enhance strategic intents. In the same way, WWF-DK observed how donors were becoming more strategical in their grant-giving. For example, donors were beginning to support fewer but more strategic and long-term partnerships, with impact investing becoming a shared area of interest. As a result, shifts in donor priorities were frequently discussed at the organisational level, as WWF-DK considered new ways to incorporate impact investing into current programs or expand the practice to include BNS activities.

Conversely, in the same period, the organisation also began receiving more inquiries from donors on traditional nature-based programs. Due to its institutional ends (i.e., objectives within nature conservation), the organisation was seen as a legitimate partner for donors looking to support nature or climate-related goals. With nature-based areas high on the agenda, WWF-DK observed how more donors shifted towards environmental themes. Therefore, public-, financial- and private actors were increasingly interested in becoming a part of WWF-DK projects. Whereas other civil actors might experience decreasing funding trends, WWF-DK was facing the opposite. From 2016 to 2020, WWF-DK increased its revenue by 81% (from 44 million DKK in 2016 to 79,8 million DKK in 2020), which signals donors support for the WWF-DK mission. The increase in revenue has influenced WWF-DK strategising, as expressed by Jacob Fjalland:

"We are experiencing significant interest from donors and private partners, who are coming to us with project ideas. We believe that WWF is well-positioned, and we need to leverage our position to help more actors become involved in the nature agenda."

For example, in 2020, WWF-DK and the Danish-based company Velux Group[30] signed a 20-year partnership agreement. Hence, Velux Group commits to reducing its future carbon emissions and capturing its historical carbon footprint through forest projects in developing economies to help tackle climate change and preserve biodiversity (WWF-DK, 2020b). The partnership became a flagship initiative to mobilise new partners and grant-funding towards nature-based areas. Developing the WWF-DK and Velux Group partnership took almost two years and ran parallel to the strategy-making on BNS. Overall, WWF-DK's motives of curiosity initiated a strategising process, where the organisation was *motivated* to understand its role and readiness to integrate BNS practice into the organisation. Meanwhile, the organisation also experienced an increased donor interest in WWF-DK traditional nature-based programs.

The following section explores how WWF-DK seeks to balance its mainstream strategy and take advantage of new donor inquiries (such as the Velux Group project). While also expanding its curiosity and adopting new practices towards BNS. As this study focuses on WWF-DK strategising on BNS, Figure 12 delivers a timeline of critical events and activities initiated during the research period. This timeline provides an overview and structure to the following section.

[30] *Velux Group is a Danish-based company manufacturing energy-efficient windows for better indoor environments. In 2020, the company revenue was approx. three billion euro (Velux Group, 2020)*

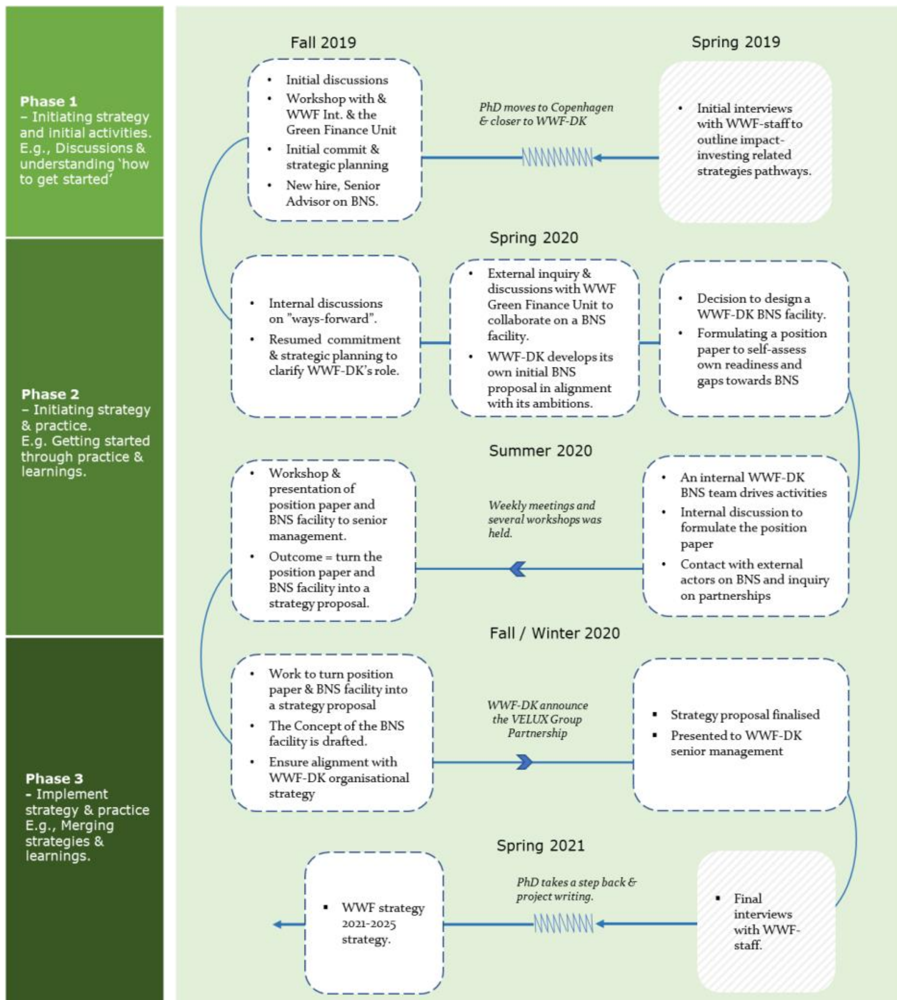

Figure 12 – Illustration of WWF-DK timeline of key events during BNS strategy-making

6.2.2. INCHING TOWARDS A STRATEGY ON NATURE-BASED SOLUTIONS

Phase 1 – Initiating strategy & practice.

The WWF-DK *response* was initiated by a *motivation* to understand its role within the impact investing marketplace and BNS practice in relation to strategic intents. These motivations became apparent during initial discussions, as WWF-DK sought

to interlink BNS and impact investing to existing practice, as described by Jacob Fjalland:

> *"There has been a great interest from our Board of Directors, who would like for us to go in that direction. The challenge has been how to initiate it. For us, impact investing and BNS is entirely new. We know it is the right pathway to follow, but it also requires new ways of working".*

Ultimately, WWF-DK displayed a commitment towards understanding BNS and its link to the impact investing marketplace. However, as both concepts were emerging, there was little knowledge and uncertainty about own readiness to engage. This uncertainty on *how* and *where* to start was a significant barrier. As mentioned by a WWF program manager during an initial meeting in the Fall of 2019, "(…) *impact investing in BNS is like a black box, where one generally knows what it is, but the detailed structure or how to access it is unknown*". Nevertheless, there was support amongst senior management and WWF-DK staff that if done right, the promise of BNS practice could expand the organisations' product offering and enhance resources towards its objectives. Thus, there was a clear top-down commitment, as WWF-DK senior management and the Board of Directors had personal interests in the subjects and believed these were areas that should be explored.

The commitment towards BNS practice became clear during a workshop in September 2019. Here WWF Int and the Green Finance Unit (from WWF-NL) visited the organisation in Copenhagen. The visit was meant to build network support and assist other organisations, such as WWF-DK, to adopt BNS practices within areas of water-related projects[31]. During the visit to Denmark, WWF-DK and WWF Int. also met with several Danish financial- and public actors (such as Danida and IFU). In these meetings, Danish actors expressed a clear interest in WWF work within BNS and water-related projects, with actors making direct inquiries or wanting to become involved. These *interactions* also spurred additional WWF-DK curiosity as BNS inquiries were new to the organisation. Ultimately, meetings with, e.g., supply-side actors accelerated WWF-DK commitment and became reference points in the following internal discussions of how the organisation could take advantage of financial actors' inquiries.

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[31] *For more on WWF Int work within water-related practices, please see:* https://wwf.panda.org/discover/our_focus/freshwater_practice/

The curiosity to expand on BNS practice led to senior management commitment and numerous discussions on how to get started. In the Fall of 2019, WWF-DK began strategic planning to scope the marketplace- and organisational readiness. This plan proposed specific deliverables, resource allocations and timelines. However, the commitment and planning were not followed through as other *prescribed activities* took up senior management resources during this period. This was not due to a lack of ambition from senior management, instead, the organisation found it hard to allocate time due to other earmarked projects. As a result, the BNS planning, and activities lost momentum.

Consequently, senior management decided to hire a new program manager to bring on additional resources to lead activities. In November 2019, Tor Hjort-Falsted joined WWF-DK as responsible for private sector engagement and BNS. Through his background, Tor Hjort-Falsted had a strong track record in business development and venture investments in developing economies, combined with personal opinions on the role of WWF-DK in BNS, as he describes:

> *"I believe that if WWF-DK is serious about working with BNS, then we need to restructure the organisation. There is potential here, but we need to commit the resources to it".*

In addition to other tasks, Tor Hjort-Falsted led the BNS planning and activities. During initial meetings, Tor Hjort-Falsted helped frame the discussions by emphasising how investment management diverged from mainstream WWF-DK activities and grant-based practice. These considerations induced new thinking and insight to support strategy development, and advanced other staff members knowledge about the topic.

Phase 2: Implementation of strategy and practice

In the Spring of 2020, the WWF-DK resumed its BNS planning. However, it was still difficult to get activities up and running. As one program manager acknowledged, it was like "*fumbling in the dark*" and challenging to identify pathways forward.

As BNS planning had trouble materializing, these activities were quickly accelerated, not by internal actions, but from an external inquiry from the WWF-NL and Green Finance Unit. During their visit to Denmark in September 2019, the Green Finance

Unit was encouraged by the inquiries made by Danish supply-side actors on BNS projects. To take advantage, the Green Finance Unit proposed co-developing a program facility to incubate and finance a pipeline of BNS projects in partnership with WWF-DK. In a joint partnership, the proposal envisions WWF-DK providing technical assistance and fundraising support, while the Green Finance Unit became facility managers and was responsible for day-to-day activities.

In the Spring of 2020, WWF-DK and the Green Finance Unit held numerous meetings and workshops to discuss ideas, facility designs and expand areas for collaborations. The process was a back-and-forth exchange, where each organisation presented ideas, gave feedback, reviewed proposals and had follow-up discussions on *how to* develop a joint facility. For WWF-DK, the initial process kick-started BNS *activities* and accelerated organisational discussions on the type of role WWF-DK could take on. As reflected by Tor Hjort-Falsted:

> *"There is no doubt that the work with the Green Finance Unit help to illustrate to the WWF senior management what is demanded if the organisation wishes to work with BNS. We can talk forever about how to engage but getting into actual discussions help to strengthen our ideas."*

The process creates collective learning on BNS amongst the group of staff involved in the discussions. However, it also became evident that WWF-DK had no prior experience or *practice* to draw on. Without a prescribed organising template - having no prior experience in working with BNS - the activities became a 'learning by doing process', where practice-driven activities help the organisation reflect on the risk-rewards of managing such a facility. Hence, work on reviewing and discussing the BNS facility proposal created learnings, new questions and ideas.

However, as discussions progressed, it became clear that WWF-DK would only play a minor role in managing the BNS facility. The technical advisory and fundraiser role did not align with WWF-DK's ambitions. Instead, the organisation started assessing other pathways forward, relating to:

- Co-manage a facility with the Green Finance Unit and play a minor role.
- Use new learnings to develop a separate and independent WWF-DK facility.

The practice-driven learning made from reviewing proposals with the Green Finance Unit, shaped internal discussions within WWF-DK, who began articulating their own

BNS ambitions. Here practice-driven learning spurred *visionary activities*, i.e., activities that inform the strategic intentions of how the organisation could engage and become a front-runner on BNS projects in Denmark. Through numerous internal meetings, these *visionary activities* help spur ideas for a stand-alone BNS facility in alignment with organisational ambitions. Similarly, activities on BNS began forming around a small team of WWF-DK program staff, who regularly meet to conceptualise ideas and lead activities on the BNS facility design in coordination with senior management. Accordingly, talks with the Green Finance Unit and WWF-DK own work with a stand-alone facility ran parallel during the Spring of 2020.

In late spring, senior management and the BNS team eventually decided to design a stand-alone facility and continue the work on its own. Notably, the *interaction* with Danish supply-side actors' interest in BNS and impact investing was the primary reason to pursue a standalone facility. Previous *interactions* with supply-side actors had influenced senior management, who believed that if the organisation could design a new BNS facility, then funding would follow.

In meetings between the BNS team and senior management, there was a clear commitment that WWF-DK should continue to explore options for a BNS facility. However, senior management acknowledged a **lack of time to 'follow through' on activities**. This meant that much of the activities and responsibility were given to the BNS team, who were asked to push forward, however they were not given a clear strategic- mandate or outcome. Similarly, the BNS team struggled to allocate time, as other earmarked projects also take up resources. Without *prescribed activities* or strategic intentions, the BNS team continued its practice-driven and exploratory approach to develop a facility. Here a*ctivities* were informed by experience gained in other WWF organisations, which inspired pathways for WWF-DK to manage a BNS facility.

As the team became more knowledgeable, they asked questions about WWF-DK strategic readiness, e.g., internal capacity, value proposition and resources to manage a BNS facility. To make better-informed decisions, and self-assess own readiness, the BNS team decided to begin work on structuring an internal position paper exploring overlaps between BNS- / investment practices, and current WWF-DK capacity. In summary, the position paper was meant to map WWF-DK assets and gaps to provide more consistency and transparency to BNS activities to inform pathways forward.

During late Spring 2019, the BNS team began formulating the position paper, sparking meaningful conversations at different organisational levels. The self-assessment showed that WWF-DK had a strong track record of administering grant-based or traditional civil actor programs. However, the organisation had no track record or internal practice in structuring BNS deals or investment management. Similarly, the self-assessment also identified gaps in internal consensus as to what type of role or position WWF-DK should have within BNS. During these internal conversations, the BNS team formulated Figure 13 to help frame discussions on WWF-DK practice. Here the figure illustrates the gaps between current *practice* and envisioned BNS activities while communicating key decision points that WWF-DK needed to consider.

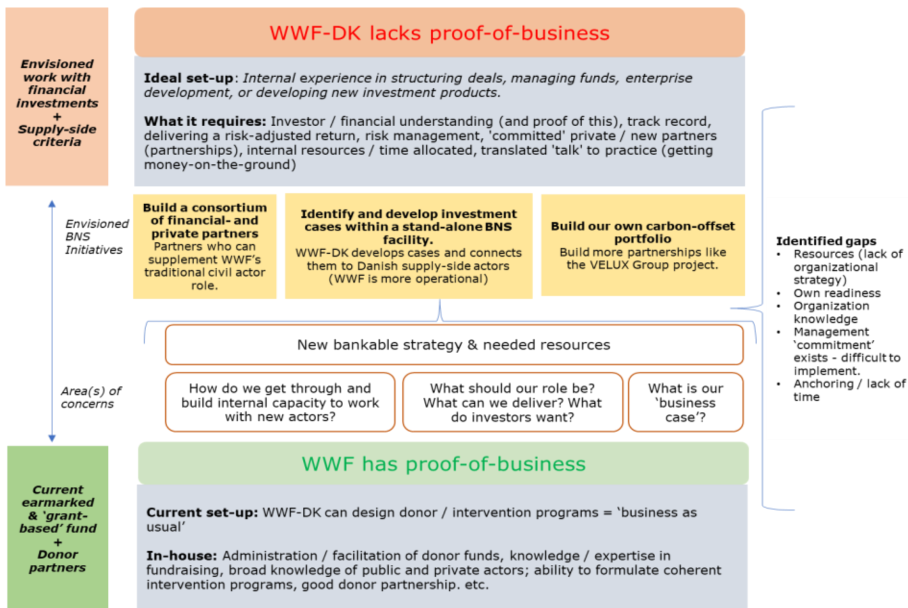

Figure 13 – Illustration used to frame WWF-DK practice on BNS.

In the following months, the unclear strategic intentions from senior management meant the strategising process became based on the BNS team's perceptions of WWF-DK raison d'être. Without a clear organising template, the practice-driven approach of designing a BNS facility, and self-assessing internal capacity through a position paper informed the formation of the strategy. The work had a loose commitment from senior management, while activities were driven bottom-up and managed by the BNS team. As time went on, the BNS activities became increasingly detached from WWF-

DK *prescribed activities* as the team defined pathways forward. Consequently, the work shifted from *visionary* to *autonomous activities*, meaning activities that are neither informed by top-down decisions, intentions, or strategic outcomes. The day-to-day activity resided with the BNS team in bottom-bottom relations, as the strategic formulation was carried out within the team, and in somewhat isolation. As reflected on by Tor Hjorth-Falsted:

> "*It is clear that WWF-DK wants to commit to BNS, but it is difficult to see where, or how, it fits in within a strategy that is geared around grant-making. We have to put in the resources to have a strategy that catalyses WWF-DK in this area. Right now, it* is still a niche and 'nice to have'"

During Fall 2020, the BNS team continued its work formulating a position paper. This document was not meant to have strategic outcomes. Instead, it was meant to guide and spark conversations about BNS activities and qualify the facility design. However, it became evident that the position paper and BNS facility design became intertwined and converged as time went on.

At a workshop in November 2020, the BNS team was meant to present learnings made to senior management to inform the next steps. The position paper and BNS facility design were presented separately during the workshop, yet both activities sparked discussions on WWF-DK's readiness to engage. The workshop coincided with WWF-DK senior management formulation of a new organisational 2021-2025 strategy. In initial drafting, senior management had listed impact investing and BNS as a priority area, yet with little context or strategic intentions. During the workshop, it became evident that the work on a position paper and BNS facility, corresponded with senior management own *visionary activities*., which could help inform an organisational strategy. During the workshop, the BNS team and senior management activities began converging. As the *visionary activities* of WWF senior management connected with the *autonomous activities* of the BNS team. As mentioned by Jacob Fjalland:

> "The work done by the BNS *team and PhD project has helped us get informed and make a decision. I would have liked to see progress moving faster ahead, but we did not have the resources or time to fully engage in a new area. Now we can see that elements from the BNS work can align with our new WWF strategy. The work done helps us to make the right decision. However, we have to make it* aligned with our overall strategy and resources. That is a challenge."

As an outcome, the BNS team was asked to reconfigure the position paper and BNS facility design into a strategy proposal that could qualify the WWF new strategy.

6.2.3. CONVERGING ACTIVITIES & STRATEGIES

Phase 3 – Implement strategy & practice.

In the Winter of 2020, the BNS team presented its considerations concerning a BNS strategy. The team met with senior management to discuss ideas and next steps. The meeting reflected an organisational commitment to engage on BNS, yet there was little consensus between the team and senior management on how to achieve it. The strategy proposal from the team included the practice-driven learnings made during the conceptualisation of a BNS facility and position paper, with large-scale ambitions to restructure WWF-DK around a whole-of-the-organisation approach. This included strategic intentions to design future programmes around BNS and build internal capacity to fully engage BNS in the impact investing marketplace. Here a BNS facility would become a flagship initiative to segment WWF-DK role as front-runner within an impact investing marketplace. At the same time, the BNS team argued that WWF-DK needed to adopt practices outside current activities[32].

Senior management also had a clear visionary-driven understanding that WWF-DK should be a front-runner and supported the ambitions. However, there was significant divergence about *how to* achieve these ambitions, as senior management wished to expand on mainstream and *prescribed activities*. Accordingly, senior management considerations followed a step-by-step approach that could incorporate elements of BNS into existing programs. As mentioned by one participant, "*breaking BNS and impact investing down into smaller chunks.*" The BNS team proposals collided with senior management visions and *prescribed activities*. As divergence between BNS ideas and WWF-DK mainstream strategy pointed towards apparent tensions of integration, as the BNS strategy proposal seem unable to merge with mainstream *practice* and senior management intentions, as mentioned by Jacob Fjalland:

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[32] *To view the BNS strategy proposal presented, please see External Annex A, which includes reflections on WWF-DK forthcoming strategy and ways the organisation could engage with BNS and impact investing. The external annexes are only available to the PhD committee members since it contains confidential information.*

> *"There are many pathways forward, and it was perhaps a very ambitious plan that the BNS team presented. Maybe we have to step on the brake and continue doing what we are good at today and then move forward with an ambitious setup. That is the right way for us because so much else is happening right now. We do not have the resources to jump straight into the big ambitious plan."*

Consequently, the BNS strategy proposal diverted away from other WWF-DK activities and failed to align with perceived institutional *means*. As mentioned, WWF-DK had increased its grant-based revenue significantly, and the announced flagship partnership with the Danish-based company Velux Group was a proven success story for the organisation that aligned perfectly with *prescribed activities* and current *practice*. Thus, senior management saw little reason to divert resources away from "*what we are good at today*" towards new considerations and the unproven business case in BNS. The high prevalence of civil logic and embedded practices made it hard for the BNS strategy proposal to gain legitimacy. Similarly, other *prescribed activities* (such as the Velux Group project) have taken much of the internal resources, as elaborated by Jacob Fjalland "(…), *it has been about resources in senior management and us trying to launch the Velux project. The project has taken up 1/3 of my and the CEO's time for 18 months. It has halted other initiatives, such as the BNS strategy.*" Hence, it was difficult for WWF-DK to cope with two ambitious strategic initiatives, such as the BNS facility and the Velux Group project. Overall, senior management prioritisation and learning from the Velux Group project gained legitimacy, influencing their thinking on BNS and pathways forward. Eventually, the Velux Group project followed a business-as-usual stance, whereas the BNS strategy diverted too much away from day-to-day *practice*. As reflected on by Jacob Fjalland concerning the strategy formation on BNS:

> *"I think the point has been for senior management was not to have a clear strategy from the start. Instead, the strategy has slowly progressed to where we are today. I think it has been good with a bottom-up approach, where we have been able to stop and say, "OK, this might not be the right direction". The good thing is that every little step has had value. So even though we never quite got there, we still achieved something. We built learnings and insight into what due diligence, track-record, investor trust and managing investments means. We did not have that knowledge before. The BNS proposal provide an end-goal; now we just have to break it down."*

Ultimately, it was decided to merge the BNS proposal with learnings from the Velux Group project, i.e., taking the best of both initiatives. This is related to identifying- and promoting similar grant-based carbon offsetting projects but using BNS risk-return elements to attract other types of partners. Similarly, learning and practices made in the BNS team helped inform WWF-DK senior management on future *visionary activities*.

For example, *interactions* with financial actors, and learning made during the conceptualisation of the BNS facility and position paper, informed WWF-DK on how their institutional ends (civil logics) and *means* (practice as a civil actor) are complementary to trends in the impact investing marketplace, yet they still, diverge from investment logic and financial actors' criteria. Here WWF-DK came into contact with investment logic through the practice-driven learning made by the BNS team, which showed new opportunities, challenges and gaps between current practices and the marketplace. Through practice-driven learning, WWF-DK understood what new and different considerations in *practice* was needed to succeed with a BNS strategy in the future. As can be seen, WWF-DK concluded that it was too early to set up a BNS strategy, and the organisation needed to step back. Despite divergence between the BNS strategy proposal and *prescribed activities*, certain elements were able to gain legitimacy as they align better with current perceptions and organisational practice. At the same time, other elements became *visionary activities* to outline future BNS practice.

Ultimately, the WWF-DK case proposes two constructs that are mediated in strategy-making. Firstly, shifts in the institutional context of Danish development coincided with opportunities in an emerging marketplace, which induced *visionary activities* within WWF-DK towards BNS. Here the organisation considered its readiness and potential role to engage, however, the WWF-DK had no prior experience to guide *practice* forward. Secondly, WWF-DK experienced tension between strategic intentions as it seeks to maintain its mainstream strategy and initiate BNS strategising, which eventually fall outside core institutional *means*. Tensions and contradictions rise as the moderate prevalence of civil logic mean WWF-DK cannot fully integrate a BNS strategy but only adopts elements with complementary roles to the dominant logic. Going forwards, WWF-DK seeks to balance consideration of new BNS *practice* in relation to its mainstream strategy. To illustrate WWF-DK strategising process, Figure 13 provides a conceptual model showing the organisational responses and initiatives described above.

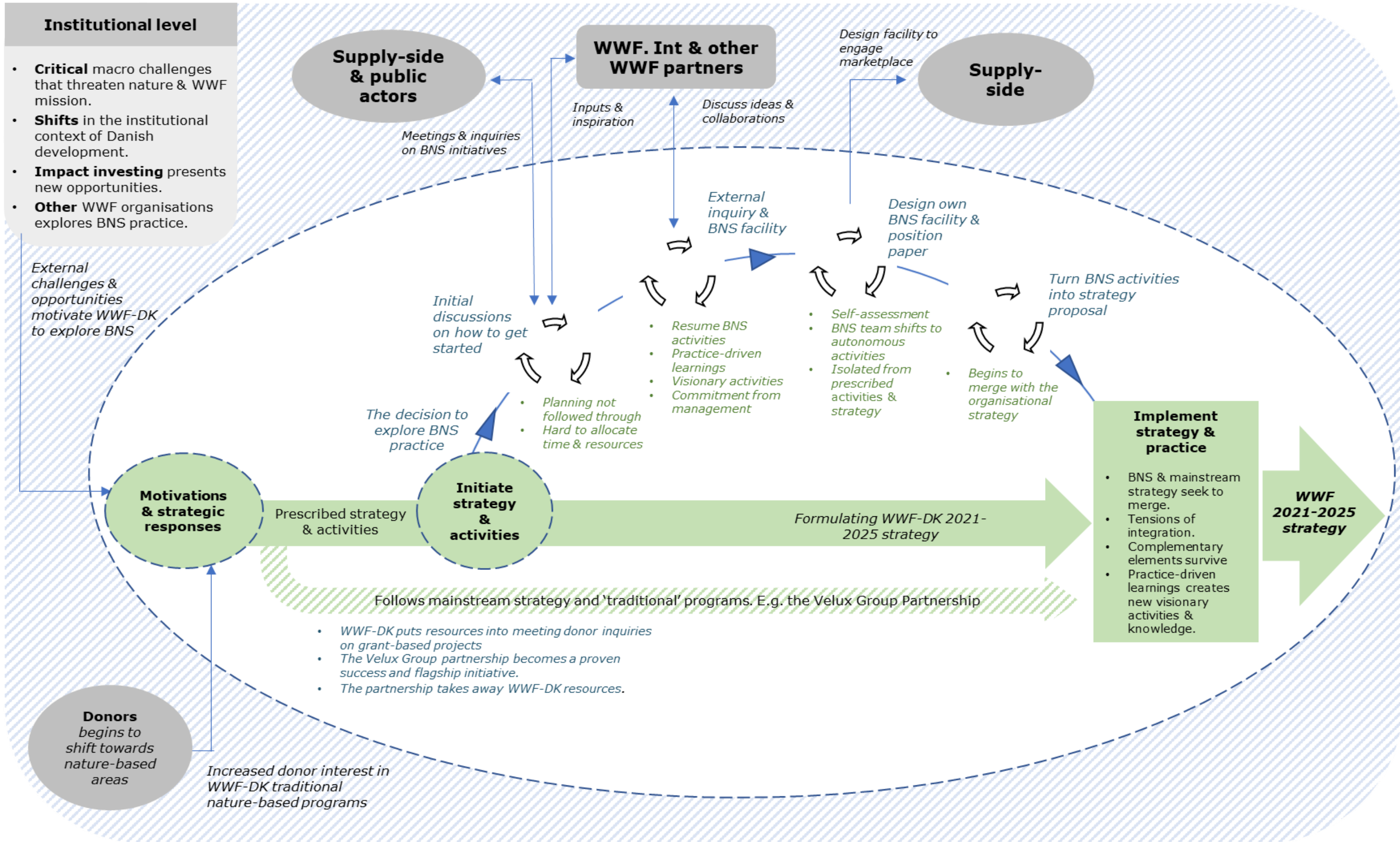

Figure 13 - Conceptual model to illustrate WWF-DK strategising process (follows SSM Step 2).

6.3 DANISH RED CROSS & INNOVATIVE FINANCE

***Structure**, Motivations & Responses*

The Red Cross movement is an independent, neutral organisation that ensures humanitarian aid and development for refugees and displaced people worldwide (Røde Kors, n.d.). The Danish Red Cross (DRC) is part of the world's largest humanitarian relief organisation, the International Federation of Red Cross and Red Crescent Societies (IFRC), active in 187 countries. As a National Society member, the DRC is guided by IFRC 2030 strategy (IFRC, 2018) and its three strategic intentions, relating to:

- Strengthen local responses and preparedness to crises
- Ensuring access to quality health care and strengthening resilience
- Promoting and supporting inclusive and peaceful communities.

One area where the IFRC wishes to invest is innovative finance, which involves using a range of non-traditional mechanisms that utilise repayable financial capital and risk transfer to support humanitarian and development outcomes (GHD, 2020). Under the umbrella term of innovative finance, the IFRC strategy seeks to support National Societies members in implementing new mechanisms and financing models to support Red Cross objectives (IFRC, 2018).

This study focuses on the DRC International department, responsible for developing, supporting, and implementing international engagement through strategic humanitarian objectives. During the research inquiry, the DRC was guided by its 2015-2020 strategy (which was extended to 2021), relating to "(…) *increase and strengthen the humanitarian impact, inspire, and act for human dignity, resilience, and social cohesion in contexts of poverty, conflict and disaster*" (DRC, 2015). As a National Society member, the DRC is based on domestic regulations in Denmark and mandated to be a permanent auxiliary to provide humanitarian assistance. Overall, DRC provides technical- and fundraising support to interventions in fragile, complex, and challenging contexts, where security and programmatic risks are high, and the line between development and relief is often unclear.

In their international engagement, the DRC and IFRC focus on areas where only a few other humanitarian players have access or where development challenges are particularly complex – ranging from Africa, the Middle East, Asia and Europe (Ibid.). As a

development actor, DRC focuses on working in fragile contexts and countries with high levels of human vulnerability. The DRC implements assistance through its local partners given them regionally and country operational setup and presence. This provides a decentralised decision-making structure, where facilitation and responses are made through local partners on the ground. However, DRC also hires and sends in-house experts to conflict areas and emergency response missions through the IFRC and local partners. As a decentralised partner in relief and humanitarian aid, the DRC fundraises through public entities, such as Danida and the EU, to facilitate funds for specific international programs, either managed by the DRC or external projects under the IFRC. In 2019, the DRC spent 762 million DKK on international relief work (DRC, 2020). Under the Danida Strategic Partnerships Framework, DRC is awarded an annual budget of 196 MDKK (68 MDKK earmarked for civil society and 128 MDKK for humanitarian activities). At the time of this study, DRC employed 600 employees across its whole organisation.

In its strategy, DRC acknowledges that "(…) *change is happening at an ever-faster pace and the world is increasingly globalised and interconnected*" (DRC, 2015). In this context, humanitarian and development action continuously needs to adapt to a rapidly changing, complex and resource-strained environment. Against this backdrop, the DRC is *motivated* by the need to access new resources to ensure actions remain relevant, effective, efficient, and responsive (Ibid.). Similar to IFRC 2030 strategy, the DRC has allocated resources to explore and engage with innovative finance to enhance development outcomes and mobilise new resources.

As part of this study, the following sections explore DRC organisational *motivations* and *responses* towards innovative finance strategising to leverage new financial capital to intentionally target humanitarian areas. Innovative finance is a term used by DRC and the Red Cross movement to define mechanisms and investment practices that benefit people in humanitarian contexts, alongside creating a financial return. Hence DRC work with innovative finance, represents their impact-investing related strategy.

Through interviews, observations, workshops, and documents, it becomes evident that external/internal challenges and opportunities influenced DRC's response to innovative finance. In Table 19, the study summarises conditions expressed by DRC senior management and staff members. Most of the data were collected as matters unfolded, from Spring 2019 through to Spring 2021. Meanwhile, as this study was

more external and did not directly engage in activities at DRC, the analysis is based on observations, meetings, and regular interviews with key senior staff. Furthermore, the analysis also draws an extensive organisational analysis and interviews of 18 DRC staff members, written by the PhD study and an external consultant from Access2innovation[33].

The conditions listed in Table 22 give insight into the forces and interactions between organisational- and institutional levels and provide background for the following sections.

Conditions	Description
Institutional level challenges / opportunities	Macro challenges/opportunities ▪ Humanitarian needs vastly exceed the sector's current ability to meet them. These trends are expected to expand as development challenges increase in duration and complexity (WEF, 2019; IFRC, 2018). ▪ OECD (2018) predicts that two billion people worldwide are indirectly or directly affected by fragility, conflict, and violence. ▪ Overall, the Red Cross movement and DRC believe current humanitarian response mechanisms are insufficient to keep up with the complexity of crisis and community needs.
	Marketplace & Context ▪ Global SI- and impact investing trends influence DRC motivations on innovative finance. E.g., the impact investing market totaled 715 billion USD is four times more than Official Development Assistance (ODA) (161.2 billion dollars in 2019) (OCED, 2020). Development challenges are critically underfunded, with the DRC and IFRC seeing no visible path to improvement, meaning new types of financial investment are needed. ▪ DRC experienced a growing interest from the public, financial and private actors to support innovative financing models. DRC believes it is time to engage the marketplace to mobilise new resources and gear donor aid.

[33] *The report was conducted in the Fall of 2020 and aimed to uncover DRC value propositions towards innovative finance- and private partnerships. The report is attached in External Annex B.*

	▪ The DRC sees a nascent marketplace. The organisation must play an intermediate role to attract additional capital that would otherwise not flow into humanitarian areas. ▪ **Overall**, DRC believes the impact investing marketplace presents a window of opportunity to bridge humanitarian- and supply-side actors.
Internal challenges / opportunities	**Organisational-level** ▪ For the DRC, exploring new financing models is vital to maintain its status as a relevant development actor. To evolve is seen as a burning platform. ▪ There is a clear understanding that working with innovative finance demands (re)structuring new organisational setup- and program strategies. At the same time, breaking down traditional boundaries between the civil and supply-side sectors. ▪ Through its organisation, DRC is working to determine how it can support and implement innovative finance. This means assessing readiness to engage and internal capacity to organise. ▪ **Overall**, there are organisational concerns that the DRC itself does not have the financial- or business knowledge to implement innovative finance or identify risks.

Table 22 – Summary of observations made on DRC views on external / internal conditions text

The following section describes how DRC observed conditions at the institutional level and how these translated into an initial organisational *response*. The section connects DRC organisational-level strategising and changes happing within the impact investing marketplace and Danish development context.

6.3.1. THE BURNING PLATFORM

Structure, ***Motivations*** *&* ***Responses***

Humanitarian funding is under pressure due to ongoing crises and increasingly complex challenges on the ground (IFRC, 2018). From DRC, senior management and program staff described how they perceive today's humanitarian crises as becoming evermore complex, long-lasting, and expanding in terms of adverse impacts on people and

communities[34]. The increasing complexity of development demands new funding mechanisms if the DRC is to maintain its services. As reflected on by Signe Yde-Andersen, Head of International Programmes, as she describes seeing development challenges change in character over the years:

> *"We can see that the humanitarian crises around the world are only getting worse. Just look at Syria or Yemen, where organisations such as the Red Cross are having a hard time working on the ground due to violent conflicts. Meanwhile, climate change will only increase the need for humanitarian action and resilience. As an organisation, we need to adapt and keep up with the changing nature of crises (…) I do not believe the current humanitarian aid system is geared to take on this challenge at the moment."*

For DRC and the Red Cross movement, improving funding for development requires a paradigm shift. Despite trends indicating that funding has slightly increased in recent years, it is not enough to support the efforts needed to tackle current and future challenges. Overall, when observing external challenges, DRC senior management described how the organisation is pressured to identify new and more viable financing solutions that complement traditional funding sources- and gear current resources. Accessing financial capital will play an increasing role in DRC fundraising, as it needs to diversify its income. Here alternative financing and new partnerships are needed to meet institutional *ends*, as the organisation expects humanitarian needs to intensify.

For the DRC senior management, humanitarian needs cannot be solved alone through existing resources or traditional mechanisms. Protracted humanitarian challenges are stretching mandates and resources to their limits, as funding is not proportionate with the sharp increase in needs. There is no alternative to the status quo, which has become a 'burning platform' that demands development actors, such as the DRC, to evolve to remain relevant. A perspective shared broadly in senior management and reflected on by Birgitte B. Ebbesen, former Head of International Department.

> *"We can see how development funding is going slightly up. However, funds are not keeping up with the funding needs on the ground. We have to diversify our funding sources. The current model is not sustainable."*

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[34] *DRC staff prescribed the complexity of humanitarian issues being a nexus for other challenges. For example, violent conflicts or natural disasters spur internal displacement and refugee movements. Meanwhile, adverse effects were also increasing as natural disasters (such as typhoons, drought, or earthquakes) became more severe.*

For the DRC, senior management believes that financial capital alone cannot offer permanent solutions to development challenges but should combine with donor or concessionary capital. However, unlocking new sources of funds *motivated* DRC to explore innovative finance, as elaborated by Birgitte B. Ebbesen:

> "I am a strong believer in innovative finance to unlock new resources. Our donors *are providing more funding, but innovative finance could allow us to collaborate with them to extend partnerships beyond donor funding to create investable models. Danida and others are interested in exploring ways forward. We only* need to show the way."

The DRC also identified other underlying trends within the development context which directly influenced their *response*. Firstly, DRC references how public actors, such as Danida, are adding policy incentives for civil actors to *interact* with new development agents (as described in Chapter 4). For the DRC, it was evident that future development policy- and strategy would involve new agents, combined with increasing incentives that encourage civil actors to collaborate in order to access funding. As described by Jacob Harbo, Head of Partnerships & Compliance, as he describes the changing fundraising landscape:

> " *We can see that Danida and others are asking us to partner with the private sector to access funding. That is fine because we are already going in that direction* (…). *For me, working with innovative finance is the right way for DRC to remain relevant. We have to integrate innovative finance into our day-to-day operations; there is no alternative.*"

For the DRC, external challenges and trends in the development context imply a need to move beyond traditional fundraising and adopt methods to employ a broader range of financial mechanisms. Many traditional asset classes and types of investment are highly relevant for DRC- and the Red Cross movement. For example, project-based financing, private equity or debt instruments to finance resilience, prevention and recovery efforts (GHG, 2020). At the same time, more non-traditional instruments such as outcomes-based funds, insurance or other types of risk-protection mechanisms could unlock funds for crisis response or reduce DRC own risks (Ibid.). For the DRC, traditional funding would continue to account for most of its resources but gearing it with financial capital could help 'free' more funds.

The emerging impact investing marketplace and supply-side actors seeking more impact-oriented strategies (as described in Chapter 5) presented a significant

opportunity for the DRC to unlock financing. This corresponded with the DRC experiencing a donor appetite to explore new funding mechanisms for the humanitarian sector. For the DRC, this meant bridging the two by creating a market for humanitarian investing by developing a pipeline of investable opportunities, as mentioned by Jacob Harbo, Head of Partnerships & Compliance:

> *"I think there is a great potential in innovative finance. We see how foundations are becoming more strategic in their funding and asking us to develop new solutions. If we can provide the projects, then donors will provide the funding. I am sure."*

Here senior management believed that the organisation should become an intermediate actor able to facilitate *interactions* between the supply-side and humanitarian sectors. As further expanded by Jacob Harbo:

> *"(…) I truly believe that we should place ourselves right in the middle. I believe that with innovative finance or impact investing, the Red Cross can be centred in a nexus, where we can partner with new investors willing to take some risks while we help channel those funds towards our projects."*

The DRC wanted to act as market catalysts able to activate donors, supply-side and expand collaboration for humanitarian projects. However, the DRC also acknowledged the challenges that needed to be overcome before innovative finance was a viable solution. For example, senior management had limited experience or track record working with financial capital, developing investable opportunities or working with donors beyond traditional funds. Meanwhile, there was limited awareness amongst donors on new financing mechanisms and approaches.

During interviews, DRC began asking questions about its readiness to engage. For the DRC, everything had to be done from the ground up, including strategy, knowledge, skills, and capacity to engage a marketplace. Despite organisational and institutional level challenges, the DRC management saw no alternative, as the status quo was unsustainable. Instead, the DRC observed a 'window of opportunities' to participate in a nascent marketplace, as supply-side actors were still positioning themselves and expressed an appetite to collaborate with the DRC. Here senior management needed to respond to shifting trends and was willing to take on the initial risk to catalyse a marketplace for humanitarian investing. If the DRC did not "*take a chance*" (as expressed by one senior manager), then there was a perception that the 'window of opportunity'

could close up, and another civil actor could step in and take advantage of the momentum. As expressed by Birgitte B. Ebbesen, former Head of International Department at DRC:

> *"As an organisation, we have the opportunity to take on the risk to develop a market for innovative finance. I believe it is our job to develop those projects and signal that we are willing to take on the risk (...) If the DRC does not engage, then I think the opportunity will disappear again, and the money will go somewhere else."*

The size of the opportunity seems difficult to quantify for DRC, given the early state of the marketplace. Instead, DRC motivations were driven by its ambitions to maintain *legitimacy* as a development actor, access new resources to gear traditional donor funding, and 'move beyond a burning platform' to tackle future humanitarian needs. For the DRC to continue achieving *institutional ends* (ensuring humanitarian relief), it needed to change current *institutional means* and adopt new *practices* within innovative finance. These *motivations* influenced DRC strategy-making at the organisational level, as it began exploring ways to embed innovative finance *practice* into its operations.

The following section describes how DRC *motives* and *response* guided senior management to take on uninformed risks, take chances, and accept failure. These guiding principles represented DRC point-of-departure.

6.3.2. CRAFTING THE RESPONSE & PRACTICE

Initiating strategy & practice.

> *" If we talk financing, then it is something that we are focusing on. Both now and in the future. It all started with a growing interest in the IFRC. Overall, we see that funding for humanitarian work cannot keep up with the need on the ground; the gap is only growing year by year. We have to go out and find new money."*

Birgitte Ebbesen, Head of International, DRC

As the previous section and the quote indicate, the complexity of development and shifts in trends exposed a 'burning platform' for the DRC organisation. This informed

DRC point-of-departure to (re)position itself towards the marketplace and to take advantage of new opportunities. Considerations to explore innovative finance was a recurring topic in meetings at the IFRC and DRC. In interviews, several staff members referenced former Head of International at DRC, Birgitte Ebbesen, as influential in the initial decision-making to explore innovative finance, as she expressed a clear top-down commitment to move forward. Here DRC senior management made a strategic decision to allocate resources towards the area, as reflected by Birgitte Ebbesen:

> *"It has been a commitment that evolved into a strategy. We have been very strategic because there is a problem that we need to solve. We need to be more economically diversified and access new funds. The Red Cross is such a complex organisation, but we have to follow the trends. We wanted to set an overall direction without fixed objectives because no one knows what the right answer looks like. We want to try something first and take risks. I want the DRC to be a leader in innovative finance (…). We can do this because we are an organisation with a solid economy and can take risks. We began three years ago, and now we have a financial product on the market. This is a clear outcome of our commitment. However, we still need to get the organisation and other staff on board. It has been a challenge to roll out the strategy internally. It is only now that people discover what we want to achieve."*

For the DRC, moving from beyond a commitment to initiate a strategic *response* involved top-down commitment. Here senior management set out a strategic intent on the 'burning platform' rationale. Getting started, the DRC wished to collaborate with others in the Red Cross movement to leverage additional resources and commitment towards innovative financing.

To act on its commitment, the DRC, IFRC, British Red Cross and Kenya National Societies co-sponsored a new Global Innovative Financing Team (GIFT) established in 2018 (IFRC, 2019). The overall aim of GIFT is to enable engagement with innovative finance mechanisms to complement developmental- and humanitarian responses (Ibid). Here the DRC sponsored an Innovative Financing Programme Specialist, who became based at DRC regional office in Addis Ababa, Ethiopia, and was employed on a Danish-based contract while referring directly to DRC senior management. In August 2018, the DRC hired Adam Bornstein, a senior finance manager with a track record in venture capital and developing innovative financing mechanisms in developing economies. As mentioned by Adam, who reflects on the tasks at hand in the GIFT and Red Cross movement:

> *"I have a strong background in venture capital and finance. That is what I bring on board. Our job is to identify projects and financing models for the Red Cross movement. However, our most important job is to ensure system change and modernise the Red Cross Movement. Now, what do I mean by that? We need to rethink our internal systems and Red Cross processes to roll out new financial models. That is what I hope to achieve."*

Similarly, Adam was a 'tabula rasa' (Battilana & Dorado, 2010), with a strong background in the financial sector and personal drive to the strategic development of the DRC and Red Cross innovative financing portfolio. He had a strong personal opinion, combined with the practical experience from the financial sector, to help adapt DRC approaches to leverage financing models.

Overall, DRC commitment to the GIFT initiative was initially visionary driven to bring change to the Red Cross movement. The *visionary activities* to invest in the GIFT initiative originated in DRC senior management and involved a top-down decision to support innovative finance. Together with other National Society members, the DRC was given a chance to invest in a shared collaboration to support the IFRC 2030 strategy. Here the GIFT was envisioned to become a decentralised unit able to support the strategic intentions of innovative finance across the Red Cross movement. As reflected on by Nelima Larsen, Head of Africa Region:

> *"The decision to become a part of GIFT in Ethiopia stems from the top here in DRC. There is a willingness to invest in this area. Despite us not being 100% sure of the end goal or the level of involvement needed from DRC. This is a process of trial and error while learning-by-doing. There is no master plan, but more based on a vision and commitment."*

The GIFT team were given no *prescribed activities,* but merely a strategic intent, where DRC wished to engage in shared practice-driven learning and collaboration with other Red Cross members. There was a sense of learning-by-doing from other DRC staff members, combined with external and internal signalling that innovative finance was essential to DRC's future role in humanitarian work.

The most notable signalling was the top-down decision from DRC management to take on an exploratory and risk-taking process. The mandate given to the GIFT and the Innovative Financing Programme Specialist was to implement innovative financing and transform the Red Cross operations. This push signalled the strategic importance of innovative finance to the rest of the DRC staff members, who recognised

that innovative finance was necessary, despite being an abstract concept (or term) to many. As one staff member recalled during a workshop,

> "*I have no idea what innovative finance is or how it relates to my work. It is something DRC leadership wants, and I understand that it is being implemented. I get the sense it is something that is being forced into our work.*"

The quote illustrates DRC top-down decision to explore innovative finance. Initially, the DRC decision was visionary involving an exploratory and risk-taking strategic intent. However, initial *visionary activities* were decentralised from the DCR headquarters in Copenhagen and mainly involved the senior management. Accordingly, other DRC staff members were neither informed nor involved in the strategy formation. Consequently, and as will be explored in the following, sections, innovative finance *visionary activities* were largely de-coupled from other DRC staff members' day-to-day *practice*. The following section explores how *visionary activities* on innovative finance translated into mechanisms yet formed tensions during integration.

6.3.3. IMPLEMENTING INNOVATIVE FINANCE

Implement strategy & practice

> "*Our work with innovative finance emulates how we operate as a humanitarian organisation, namely that we take action. We do not always sit down and analyse everything before we make a decision. When we get going, then we adapt and move forward. That way of working is anchored into how we work as an organisation.*"

The quote from Jacob Harbo, Head of Partnerships & Compliance, frames the DRC modus operandi. With innovative finance, the DRC maintains its practice-driven approach to exploring a new area with no organising template (i.e., the DRC had no experience integrating innovative finance into the organisation). As echoed by another senior management member during a meeting in 2018, "*I do not know what the end-goal is or how to get going. But we are open to ideas.*". Overall, from interviews, DRC had an 'open' strategic intent as outlined in the IFRC 2030 and DRC international strategy (DRC, 2015). However, there are no clear outcomes nor objectives specified regarding what these areas should bring about. The international strategy (Ibid.) and internal DRC documents are unclear regarding, e.g., the time horizons,

level of risk-willingness, DRC's role or the *motivations* for investing in innovative finance. A review of DRC documents only broadly describes outcomes for innovative finance, relating to testing approaches that enhance programmatic effectiveness and efficiency while promoting organisational and programmatic change.

Hence, as the GIFT started in 2018, it was provided with a tabula rasa, or clean slate, allowing the team in Ethiopia to strategically experiment with innovative finance areas (IFRC Communications, 2019). While the day-to-day operations were managed by GIFT, it also collaborated closely with the DRC headquarters in Copenhagen, where a small steering group, led by former Business Engagement Advisor Kaspar Bro Larsen, was accountable for progress. In the following, Kaspar reflects on the challenges and initial strategic conversations on innovative finance:

> *"The most important thing was to get something off the ground and try it out. We had many conversations on how we should approach this. These are some very competent people that we have onboard at GIFT (…). Senior management has a commitment that we need to do this, but I also find it challenging because this is an entirely new area in the DRC. Right now, I am responsible for anchoring Adam and GIFT projects in DRC. That is a challenge. However, we need people like Adam, who can disrupt our organisation. My job will be to guide him in working within a complex organisation like ours. (…) The question is whether we have the resources internally to secure anchoring and give feedback. As of now, there is only me to facilitate information to the DRC office, and it is only a small part of my work portfolio. (…) a lot is dependent on Adam and the team."*

During the period of research inquiry, the GIFT team and DRC developed a pipeline of initiatives meant to support innovative finance efforts. These were shaped by personal perceptions and interpretations, as DRC did not offer specific intentions. Through *visionary activities*, the team began scoping the field through conversations, workshops and working groups with other National Red Cross offices, yet still within broad strategic intentions. In the Fall of 2018, the team arranged workshops with other private and financial actors around the challenge of developing a disaster financing solution capable of being both ex-ante (provide funding before disasters happen) and ex-post (reactive when disasters happen) interventions.

Based on the challenge, the team worked on ideas where mainstream financial products could be adapted to assist humanitarian interventions to rebuild economies, communities, lives, and livelihoods after a disaster. One of the tools was using catastrophe

bonds (CAT bonds) or insurance-linked security (ILS). Both CAT bonds and ILS are financial securities that are mainstream tools used in the insurance industry to raise funds that correlate to a pre-specified disaster event or insurance-related risks (DRC Catbond, 2021). CAT bonds and ILS transfer risk to financial actors who receive high-yield interest over the bond's life (e.g., over three to five years). Issuers, such as the Red Cross, could receive funding by issuing bonds prescribed to specific conditions, e.g., flooding or earthquake. The CAT-bond is only activated if specific events occur. Despite paying an interest rate, research shows that for every 1 USD spent in insurance premium, organisations such as DRC could save 3,5 USD in humanitarian aid while transferring risk from civil and public actors to financial actors (Ibid.). If a natural disaster meets the CAT-bond conditions, capital can be quickly delivered to provide better humanitarian relief.

Using a similar approach, the DRC, GIFT and partners worked on structuring and sponsoring the world-first volcano-related CAT-bond[35]. With a size of 3.0 million USD, the bond would enable the Red Cross to act quickly in the event of ten named volcanic eruptions, covering both Africa and Latin America (Life Insurance, 2021). Development of the CAT-bond began in the Fall of 2018 with *visionary activities* led by the GIFT and DRC newly hired Innovative Finance Specialist. The vision to develop a CAT-bond was developed on the initiative from the innovative finance team, with little interference from DRC senior management. Instead, DRC provides a top-down commitment to exploring CAT-bond solutions, leaving space for exploration for the innovative finance team. Consequently, the GIFT sought opportunities they considered appropriate based on personal background and experience. As described by Adam Bornstein, who underlines this open and trust-based approach:

> *"It is essential that we have trust from the DRC to develop and move forward. We are here to introduce system change, and that demands a certain level of commitment. The biggest issue has been trust. We need to have trust that we are not putting the organisation at risk. I think this is a challenge as we grow to have that dialogue."*

The team managed to turn opportunities into a financial mechanism through external collaborations and very little interference from the DRC headquarters. Consequently,

[35] *For an short video presentation of the volcano CAT-bond, please visit: https://youtu.be/vALbYKi-YWdo*

without a template for strategising on innovative finance, the strategy formed from practice-driven learnings, practitioners experience, and the GIFT team's *visionary activities*.

However, the GIFT was closed in 2019 due to internal disagreement over resources, despite the progress. However, the CAT-bond initiative survived with Red Cross partners working decentralised and not in one shared team. In DRC, the GIFT changed its name to the Innovative Finance and Systems Change Team (IFSC), with Adam Bornstein heading up activities, despite still working outside DRC headquarters in Denmark. During the conceptualisation of the CAT bond, the IFSC team collaborated with several financial- and private partners to bring the bond to market.

Ultimately, the DRC committed to sponsoring and underwriting the set-up, meaning the organisation pays the premium payments to the CAT bond investors. If the CAT-bond is not triggered, investors receive an attractive 5% interest and return of principal. Similarly, the DRC committed to administrating the funds if a catastrophe happens, meaning the DRC international department would be responsible for distributing the funds to local Red Cross members. The commitment to administrate and sponsor the CAT-bond was given by DRC senior management, who strongly supported the idea. Despite informing and regularly communicating progress to other DRC staff members, there was at this stage still limited involvement, as *activities* still resided with the IFSC team. As recalled by Kaspar Bro Larsen, former Business Advisor and responsible for anchoring the IFSC team to the DRC, as he reflects on the conceptualisation of the CAT-bond

> **"We are a large organisation, but right now,** *IFSC resides with me. I try my best to guide Adam and ensure the anchoring of his work. But he also refers directly to senior management to* **ensure leadership commitment (…). I must admit that** *the project is very technical and pushes our understanding as an organisation.* **But we are committed and willing to take some risk (…). Adam is a capacity that** *we must exploit, but I think many at DRC have difficulty understanding what he is trying to achieve. He speaks a financial language that is unfamiliar to most at DRC.* **There is a translation barrier."**

Like the above, Adam Borstein echoed similar concerns and the difficulties in communicating the IFSC work to the DRC organisation:

"I think, often people do not understand what is happening. Instead of saying, I do not understand it. They just go with it. However, what we tried to do is explain what the risk is and attributes are. This is a challenge for people who are unfamiliar with how the financial world works."

Despite trying to communicate the IFSC work, there was still no clear organising template at the DRC to anchor the initiatives in the rest of the organisation. At the organisational level, the strategic intention was still top-down with little involvement of other DRC staff members, even though these staff members would be responsible for the final implementation of the CAT bond. With little involvement from staff members at DRC headquarters in Copenhagen, and exploratory mandate from senior management, the innovative finance activities were mainly guided by the IFRC team personal perception of the organisation raison d'être. At the same time, they were decoupled from the day-to-day *prescribed activities* of other DRC staff members, who had little awareness of the innovative finance activities.

From conceptualisation to implementation at the organisational level

In the Spring of 2020, the IFSC team and initiatives were moved over to the Compliance and Partnerships department at the DRC. During this period, the former Business Advisor Kasper Bro Larsen had moved to another job outside the organisation. With him, a lot of the knowledge around innovative finance and current initiatives was lost. Instead, others had to build knowledge around the IFSC teams work and commitments to sponsoring the CAT bond. The role and responsibility were given to Jacob Harbo, Head of Compliance and Partnerships, who describes taking over the innovative finance work as:

"It has been a challenge to anchor Adam's work. Because of the setup where he works outside the organisation and because it is very technical and difficult to understand. It can be difficult for ordinary employees in the DRC to understand and become involved due to an already busy workday. It is very technical and financial, and without an anchored person in the head office who could follow and translate that work for us, it will be very driven by IFSR and Adam."

Consequently, the DRC began searching for an Innovative Finance advisor who had financial know-how and experience in the civil sector to help facilitate the IFSC initiatives and translate them into day-to-day *practice* at the DRC headquarters. In 2020, Lisbeth Zacho joined the DRC bringing with her a venture capital, financial, and civil

background. She was a perfect match, as she had previously been deputy CEO in another Danish civil actor and had experience in the financial sector as co-founder of the Nordic Impact Funds (a Danish venture impact fund). The role of the Innovative Finance advisor was to be an intermediate with the initiatives from the IFSC team and ensure better anchoring within the DRC. As described by Lisbeth Zacho:

> *"I am here to translate Adam's work into a language that other DRC staff understand. For example, the CAT bond involves many technical understandings outside the normal workings of day-to-day here (…). I think the challenge is that DRC is such a complex organisation with a settled framework for doing humanitarian work. Innovative finance is meant to disrupt that. That creates tension."*

The limited awareness around innovative finance and its implications to DRC *activities* was a recurring question from other DRC staff members. In the fall of 2020, through this PhD project, a comprehensive survey[36] was made, consisting of DRC opportunities, and challenges of working with initiatives such as innovative finance in their day-to-day *practice*. The report shows that DRC staff raised questions about, for example, the strategic direction of innovative finance, which was perceived to be unclear. Overall, staff expressed no consensus on why DRC should work with, e.g., CAT-bond or relations to their work. Some staff members questioned DRC risk- and the rewards of engaging in an entirely new practice, while awareness around the topic remained low. For most DRC staff interviewed, the area of innovative finance was not compatible with their day-to-day *practice*, with many raising questions about their readiness to engage or the institutional *means* needed to succeed.

Consequently, DRC staff in other departments were disconnected from innovative finance activities, despite them being central to implementing the initiative once operationalised. An example of *legitimacy concerns* became apparent during 2020. At this point, the CAT-bond was ready for go-to-market with external contracts and activities ready to become implemented with partners and integrated into DRC *practice*. The IFSC team envisioned the integration process to take two to three months, with an expected launch of the CAT bond in the Summer of 2020. During this period, various DRC staff members – from legal, communication and disaster management - had to

[36] *Please see the full report in External Annex B. Overall, the report interviewed 18 DRC staff from senior management to program level on their views on the organisation work, experience and value proposition towards private partnerships and similar market-based approaches.*

become involved to ensure anchoring of the CAT bond at the organisational level. As more staff became involved, the process was dragged out as the project needed to accommodate differences and sometimes competing or contradictory *practices* from other DRC departments. It became evident that low levels of awareness and *legitimacy* concerns created tensions between the innovative finance activities and the nature of *practice* from other DRC staff. For example, the DRC legal department had no prior experience implementing the legal framework needed to work with CAT-bond, meaning external consultants had to be hired to conduct the processes needed. Similarly, the Disaster Management Department, which was responsible for administrating the funds from the CAT bond and ensuring integration of processes, did not have the framework to, e.g., transfer funds to certain countries. As mentioned by Jan Erik Krøyer, Senior Humanitarian Advisor:

> "There *have been some processes that we have not been involved with. We have been told to implement an entirely new funding program to areas with no prior experience or countries where there is no strategic framework agreement. I know senior management wants us to make it work, so naturally, we do that. However,* the process and our involvement could have been better."

Several DRC staff members expressed concerns over the top-down approach and tensions with embedded *practices*. These tensions became apparent as innovative finance was disconnected between organisational-level day-to-day *practice,* and actions needed for the CAT bond to succeed. Institutional *complexity* arises as practitioners – e.g., the IFSC team and DRC staff – are brought into contact through their work. The limited awareness of each other *practices* created tensions, as the IFSC institutional *ends* and *means*, e.g., incorporate the full range of innovative finance through investment logic, were less compatible with the work process and civil logic convened in the rest of the DRC organisation. As observed by one DRC staff member, "(…), *it is like getting a square to fit in a circle. These are just two different ways of working. Yet senior management wants it to fit. So we make it work*". Similar observations were made by Adam Bornstein, as he reflected on the differences between how financial- and civil actors operate:

> "There are many frameworks and workstreams that are not similar. For example, *in procurement, pro bono agreements or budgets. That is a challenge. NGOs do not think like commercial banks; they think like civil society, which does not always comply with our projects.* That is an issue."

In the end, *practices* and competing *logics* had to merge due to DRC senior management top-down commitment. In this sense, commitment to innovative finance bypassed day-to-day *practice,* and injected negotiations between the IFSC team and DRC staff departments. For example, the Disaster Management department staff could not remain entrenched in their inherited *practice*, which would conflict with DRC senior management wishes. As DRC staff worked with the IFRC team to integrate the CAT-bond, practice-driven learnings helped to raise awareness as staff realised how innovative finance could strengthen their work. Instead of entrenchment, the combination of top-down commitment and awareness helped DRC staff take ownership of the CAT bond. Furthermore, since the CAT-bond was so far advanced in its development, it left little room for negotiation, as the commitment made meant the other DRC departments had to make it work. As reflected on by Jacob Harbo:

> *"There will be some conflicts since other departments are becoming involved so late in the process. However, now that it is here, I think people see opportunities instead of challenges. People are taking ownership, even though they do not fully understand the project or purpose. They are forced to build awareness around the CAT-bond and what it means. They have to make it work because leadership wants it and because commitments have been made. That creates conflicts but also change in the organisation. I see it as a good conflict."*

Despite tensions and *institutional complexity*, the CAT bond was officially launched in the Spring of 2021. The launch received massive media interest, with over 100 articles being published online. Overall, the commitment to innovative finance led to change in *practice* at the organisational level as the DRC successfully launched a new financial mechanism to engage in the marketplace.

The DRC example shows how institutional changes can initiate urgency and *motivate* a strategising process. The combination of top-down commitment, risk-taking and having open-based strategic direction help catalyse the DRC innovative finance work. Due to DRC senior management commitment, the institutional change could occur, which paved the way to make competing logic and practices co-exist.

Here the strategy-making process of DRC is summarised in the conceptual model in Figure 14.

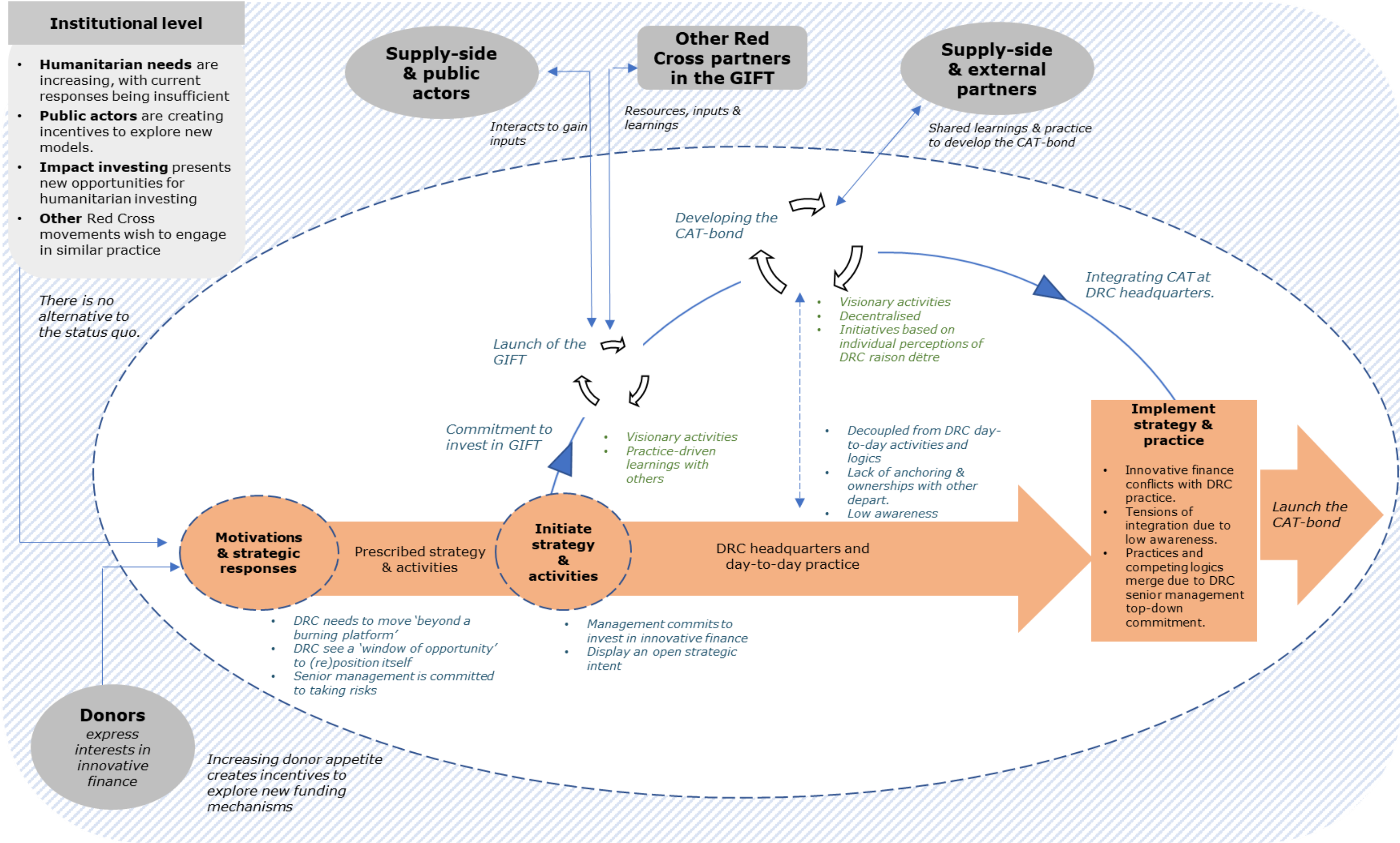

Figure 14 – Conceptual model to illustrate DRC strategising process (follows SSM Step 2

6.4. ACCESS2INNOVATION – CLOSING THE FUNDING GAP

***Structure**, Motivations & Responses*

As a non-profit and member-based organisation, Access2innovation (a2i) has, since 2007, worked to become the Danish-based strategic platform aiming to bring together multi-sectoral actors into new market-based partnerships to target markets in developing economies, primarily in Eastern Africa (a2i, n.d.). The organisation is based in Aalborg with a secretariate of seven staff members. The organisation has a network of around 39 members, including project partners of the DRC, WWF-DK and Aalborg University and others (e.g., the DanChurchAid, Caritas, Confederation of Danish Industry, Danish Agriculture & Food Council, Copenhagen Business School, University of Copenhagen, and a large number of SMEs and public entities (Ibid.).

Overall, a2i's strategic intent is to provide Danish-based members and partners with the opportunity or resources to co-create market-based solutions aiming at developing economies (Ravn, 2012). Here venturing into new businesses is a risky endeavour – like any other form of innovation. However, the risk is compounded when Danish-based members seek SDG-related opportunities in less mature markets, as there are "*higher costs, lower margins, high risk and where the potential for earnings is more long-term in the early development phases*" (a2i, 2020 pp. 4). Supporting innovation is risky; however, facilitating innovation across multiple partners and geographical dimensions to pioneer new business models serving the developing economies is particularly risky (a2i, 2020; Butler, 2016)[37]. Like any other, a2i members venturing new ideas in unfamiliar markets needs access to network, knowledge, and skills at each stage of their journey to bring the initial idea to a scalable business (Ibid). Here a2i has specialised in being a network-based facilitator that supports the growth of members to become either investable or sustain long-term profitability. As a facilitator, a2i plays various roles and engages multiple sectors to support members during early development to reach scale. This involves providing:

- Technical- and grant-based fund for feasibility, test, and demonstration.

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[37] *To see examples of a2i partnership projects, please visit: https://www.access2innovation.com/foelg-projekter/*

- Business support to develop a value proposition, business plan and financial models.
- Network and access to experienced partners to screen, support business development and navigate local settings.

A2i does all this through its staff and partners to provide the necessary mix of knowledge, skills, and on-the-ground capacity to enhance value and manage risk. Since its launch in 2007, a2i has facilitated more than 83 market-based partnerships, mainly within thematic areas of renewable energy, agribusiness, housing, water and sanitation (a2i, 2020). Through its network, the organisation sources and support Danish-based innovative solutions to be a driver for realising the SDG-related opportunities in developing economies.

As a network-based facilitator, a2i provides the platform that allows multiple actors from all sectors to collaborate and foster market-based solutions. The organisation is staging the innovation process by centring itself in the middle of the helix to facilitate partners from different sectors, as illustrated in Diagram 1. (Ravn, 2012; Bulter, 2016). As argued by the founder Ravn (2012), like a network-based facilitator, a2i and members are dependent on each other. On the one hand, the organisation can establish a platform for members and partnerships to form. However, as a network and facilitator, the organisation is also dependent on realising partnerships to achieve success and secure its legitimacy to launch new initiatives (Ibid.)

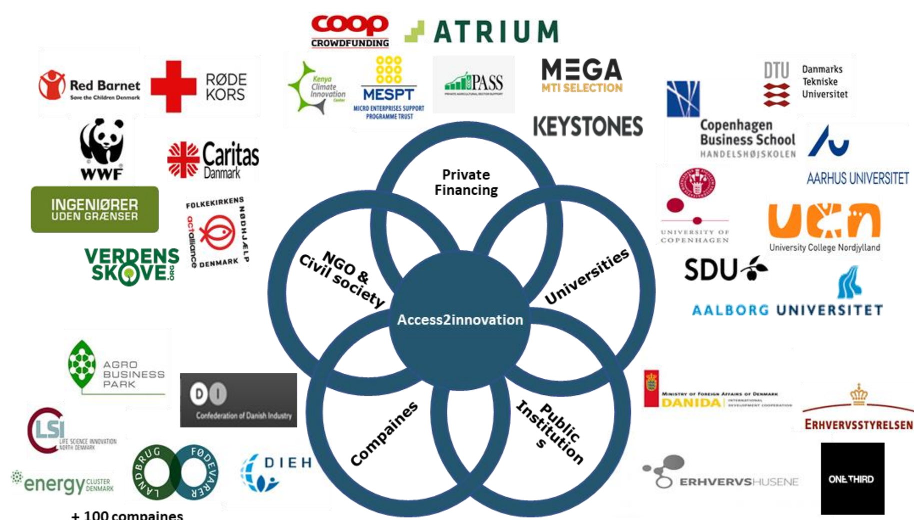

Diagram 1 - Illustration of the a2i helix model and network-based organising. The picture shows the different members and sectors involved in the network.

In many respects, a2i and partners have succeeded in facilitating partnerships – but one area lags significantly behind. While members have stepped forward to develop, test, and demonstrate sustainable solutions, the same projects have struggled to attract high-risk finance to secure scaling (a2i, 2020). Through its initiatives, a2i obtains funds from public-private sources (e.g., EU Regional Development Fund) to launch funding programs aimed at Danish companies that want to partner, test and develop new solutions for markets in East Africa[38]. The programs are designed to overcome initial market barriers to support actors in developing their business cases and identify relevant local partners. Despite building a track record of partnerships, the organisation identified challenges and shortcomings to secure follow-up finance towards scaling (a2i, 2020). As will be elaborated in the following sections, the organisation struggles to get partnerships beyond the 'missing middle'[39] and mobilises co-investment in the later stages.

Given the above, this study follows a2i's strategising to bring in finance with varying levels of impact orientation, risk appetite, and return requirements to support partnerships journey from idea to scale. This study was involved in two strategy periods from 2016 to 2021, which outlines a2i strategic intent to secure financing and bridge the 'missing middle' to successfully support partnerships[40].

Here Table 23 summarises key focus areas during these periods to illustrate how a2i incorporated finance into their strategy. It illustrates how leveraging additional high-risk finance was a key focus area for the organisation during the research inquiry.

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[38] *For example, since 2016, the organisation has administrated almost 55 million DKK under the EU-funded project, 'Partnership-driven Innovation for East African markets. Under the project, Danish SMEs can receive up to 0.5 - 1 million DKK to develop and test new solutions (Danmark Erhvervsfremmebestyrelse, n.d.). From 2016 to 2021, a2i has involved over 100 companies, 40 researchers and five CSOs in 34 partnerships (a2i, n.d.).*

[39] *The missing middle is often referred to as the stage between market-based solutions receiving grants for early-stage ideation to reach a stage where it is possible to attract financial investments from supply-side actors for scale-up (Dalberg, 2019).*

[40] *As described in Annex F., the researcher was involved with a2i prior to this study. Hence, the research inquiry period follows activities from 2016 to 2021.*

Period & Mission	Outcomes & focus areas
Period: 2014 - 2018 Mission: Establishing access2innovation platforms in Denmark and on developing economies, mainly in East Africa.	Outcome Launch 30 new market-based partnerships involving 100 Danish SMEs. Generate approx 100 workplaces in Denmark and expected 300 workplaces in Africa. Focus areas: *(i) Facilitating innovative partnerships between NGOs, the private sector, academia, and public institutions. (ii) Encourage and securing access to public and private risk -capital. (iii) Providing research-based knowledge in co-creation, partnership-driven business development and innovation-based research.*
Period: 2019 – 2024 Mission: To create the innovation ecosystem for scalable SDG Partnerships between Denmark and developing economies.	Outcome: Establish 40-50 new market-based partnerships in collaboration between companies, CSOs, researchers, public entities, and investors from Denmark and especially East Africa Focus areas: *(i) Position of partnership-driven innovation (ii) 360-degree risk minimisation of innovation (iii) Building a financial ecosystem (iv) Research & certified education*

Table 23 – Overview of a2i strategies from 2014 to 2024.

The following sections explore a2i's organisational *response* and subsequent strategising to design a financing platform able to mobilise finance from idea to scale. It is important to note that a2i seeks to mobilise all types of finance, from high-risk public funds, venture capital, crowdlending to varying levels of impact-orientated capital.

To encapsulate the spectrum of finance, the study and organisation use the term *impact financing* to identify, promote and communicate about its partnerships, which offers solutions that contribute to real-world outcomes (either social, environmental, or economic conditions in developing economies)[41]. Here a2i wish to facilitate financial capital that can be catalysed to support blended value objectives. Concerning impact investing, there are similarities between the two terms, however, the rationales are different as a2i seek to communicate and leverage finance to support partnerships across various sectors or business activities with positive outputs.

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[41] *To see examples of projects seeking impact financing, please visit: https://www.access2innovation.com/vi-hjaelper-dig-med/impact-invester-med-a2i/*

Through interviews with members, observations, workshops, documents, and field notes, it becomes evident that external/internal challenges and opportunities influenced a2i response to impact finance. In Table 24, the study summarises conditions noted to capture a2i strategising process on impact financing. Most of the data were collected as matters unfolded, from Fall 2016 through to Spring 2021. The conditions listed give insight into the forces and interactions between organisational and institutional levels and provide background for the following sections.

Conditions	Description
Institutional level challenges/opportunities	Macro challenges/opportunities • Achieving the SDGs by 2030 relies on leveraging new development agents to leverage resources and innovative solutions to needs in developing economies (Danida, 2017) • Overall, the promotion of market-based solutions aligns with a2i strategic intentions to support its members in promoting innovative solutions to solve local needs. Marketplace & Context • As described in Chapter 4, the lines between development and business are increasingly blurred (Danida, 2019a). The Danish development policy- and strategy outlines how the private- and financial sector are becoming new development agents. • Despite changes, a2i still experience a lack of access to appropriate funding able to move the partnerships beyond the 'missing middle.'. To remain legitimate, a2i need more partnerships to succeed. • Changes in the development context mean more actors (such as civil actors) are 'moving' into a2i traditional area-of-work. • As described in Chapter 5, a2i observe similar trends of financial actors becoming more impact oriented. A2i see an opportunity to promote, enable and communicate about partnerships with blended value. However, financial actors have low awareness of investing in developing economies and need facilitation to access cases. • Overall, A2i strives to navigate and facilitate an incomplete marketplace by designing a financing platform that matches supply and demand. At the same time, maintaining legitimacy and competitiveness.

	Organisational-level
Internal challenges / opportunities	• An internal review of a2i partnerships initiated discussions on bridging the 'missing middle' and leverage finance. • To remain legitimate, a2i needs to demonstrate its ability to bring projects beyond the 'missing middle. • As a non-profit, a2i is highly dependent on public funds and member support to run activities. Here expanding its financing platform and services could be a source of alternative income. • Overall, a2i initiated a strategic *respon*se based on (i) creating awareness around the 'missing middle' issue, (ii) designing a financing platform to support partnerships (iii) Establishing legitimacy and exploring new income models.

Table 24 – Summary of observations made on a2i views on external/internal conditions

The following section describes how a2i observed conditions at the institutional level and how these translated into an initial organisational *response.*

6.5. BEING AN NETWORK-FACILITATOR

*Structure, **Motivations** & **Responses***

In the institutional context of Danish development, Danida's message seems clear. The SDGs cannot be reached through donor aid meaning new resources and actors are needed (as documented in Chapter 4). Correspondingly, the nexus between development objectives and SDG-related market opportunities aligns as Danida aims to leverage the demand- and supply-side to achieve its objectives (Danida, 2017). The shifts to involve new development agents follow estimates that Danish actors could tap into SDG-related opportunities in developing economies worth 60 billion USD per year in 2030 (Danida, 2019a).

The shift in policy priorities to involve new development agents and incentives to remove the boundaries between business and development align with a2i own strategic intentions. Consequently, the organisation recognised Danida's re-prioritisation as favourable to the organisation's institutional *ends* (e.g., supporting members to target markets in developing economies) and *means* (e.g., providing business expertise,

network, and knowledge to members). However, despite changes to policy priorities, the organisation also voiced concerns that policy ambitions were not followed up with initiatives to support the agenda, as quoted by Jacob Ravn in the news media, Altinget (2020)

> "*Where the support is lacking is in the difficult early-stage innovation phases, where companies are developing new technology, get help from researchers and collaborate with end-users to access the potential market of 60 billion USD. However, the current public initiatives cannot support those activities.*"

Here a2i argued how gaps in the financial ecosystem halt innovations from scaling due to misalignment between public funding programs (e.g., Danida business instruments) and on-the-ground challenges in less mature markets (a2i, 2020; CSR, 2019). In interviews with a2i members, companies also expressed frustrations with gaps in the financial ecosystem to fund projects in developing economies. As voiced by the co-founder of Mash Energy, Jakob Andersen:

> "*We see great potential for our solution in Africa, but we simply cannot attract Danish investors or funds for our projects. I met with several VCs who are interested in our business. But when the conversation turns to Africa, then they are restrained. They will not support that part of the business (…) I cannot find public funds because I do not fit the criteria, So where do I go then?*"

The quote broadly represents barriers facing a2i members, who found it hard to match with business instruments or financial actors able to provide seed funding for businesses in developing economies. Here shifts in policy priorities did not seem to materialise into initiatives able to bridge the gaps experienced by a2i and its members. Similarly, Danida's transfer of responsibility to the Investment Fund for Development Countries (IFU), as described in Chapter 4, was also a concern as smaller projects were outside IFU institutional ends-means of risk-return and profitability. As expressed by Mogens Slot Knudsen, former CEO of C.F Nielsen A/S, who were facing many business opportunities, yet lacked access to financing:

> "*We are faced with great opportunities and have been in numerous talks with IFU and Danida. (…) Our product could really make a difference in East Africa, but we cannot get started due to the lack of financing. We have customers wanting to buy our products, but IFU will not look at them because projects are considered too small (…). We need new alternative finance if to succeed, and Access2innovation could really help us facilitate access.*"

According to a2i, many public initiatives were unable to meet demand-side needs, as high eligibility criteria for Danish startups and SMEs meant they fell outside of scope (a2i, 2020). Despite political ambitions, a2i and members experienced a fragmented ecosystem with significant gaps that need to be "*addressed to fully realize the potential contribution of partnership-based business solutions to achieve the SDGs*" (ibid., 42).

To meet members requests and close gaps in the early stages of business development, a2i was motivated to bring in the capabilities to turn ideas into investable ventures. This involved creating the needed financing platform for actively attracting alternative finance to leverage limited public funding. Its members welcomed the motivations to design financial platforms, as expressed by Steen Kramer, CEO of PP-Power:

> *"I think a2i has a big role in helping us companies find the right financing. Suppose you can combine your market insight with access to financing. Then the network has the entire platform to help Danish companies."*

As a response to members inquiries and ecosystem gaps, the a2i network initiated the formulation of four interlinked impact financing initiatives designed to meet members challenges and create legitimacy around the organisation ability to help members succeed in developing economies. These four initiatives are described in the following section.

In addition to motivations to design a financing platform, a2i began identifying potential capital sources able to provide more significant levels of funding to secure scale-up. Through *interactions* with supply-side actors and other partners, a2i observed emerging interest from financial actors, who display different aspects of risk-return expectations (often with the expectation of high returns to compensate for the risk) impact orientation and the networks' ability to leverage a pipeline of partnerships. Through the blended value features of its members, a2i was motivated to explore how it could identify, promote, and communicate its partnerships towards a new group of Danish financial actors who displayed interest in venturing into impact finance (CSR, 2019). Here the emerging marketplace presented an opportunity for a2i to communicate its projects to impact-oriented actors.

Despite interest from financial actors in considering opportunities outside Denmark, they refrain from investing as they lack the knowledge to source, invest, and complete projects in the developing economies (as described in Chapter 5, Section 5.7). The

misalignment between interest and finding the right investors was expressed by Charlotte Rønje, CEO of the Danish start-up, Jamii.one:

> *"We wish to have an impact – that is why we started. For us it is important to find an investor who understands our mission and relates to our product. We have been in talks with many investors interested in impact but have little knowledge of Africa. We find it challenging to find the right mix of investors."*

Hence, finding investment-ready Danish financial actors with the risk appetite, awareness, and market knowledge to operate in developing economies proved challenging. As many of a2i members were venturing new ideas in unfamiliar markets, the vast majority of investment opportunities were early and unproven. Building and scaling new business models take time, as "*A2I's experience shows, the timeline from ideation to breakeven typically takes 4-7 years in East Africa for Danish startups and SMEs*" (a2i, 2020 pp. 36). For this reason, assuming that financial investments would naturally flow to a2i's network of members is unduly optimistic, as the low awareness, risk profile, and breakeven timeline add an unattractive proposition for investors.

Given the above, a2i was motivated to build a financing platform that could provide the necessary mix of investments, from debt, venture capital to large-scale investments, to stimulate awareness in the marketplace and bring in different sources of risk and return requirements in the early stages.

Moreover, a2i noted how shifts in Danida policy incentives were beginning to make a distinctive imprint in the context. For example, civil actors were increasingly partnering with companies and engaging the supply-side to leverage new resources. As described in Chapter 4, civil actors were incentivised to explore new intermediates roles and engaging in partnerships with new developing agents. Accordingly, the WWF and DRC strategising shows how traditional civil actors expanded their role to engage new partners. Consequently, from 2017 to 2021, the marketplace experienced several organisational initiatives with similar strategic intentions as a2i. Hence, as actors explored new roles within the development context, there was a sense of competition challenging a2i position as a network-based facilitator. Here policy incentives created uncertainty in the institutional context, as actors began exploring new roles, *practices,* and *activities* similar to a2i. To stay ahead, a2i envisioned how a financing platform could establish market legitimacy by providing the necessary mix of knowledge, network and on-the-ground capacity to support members from idea to scale. Here a2i

was motivated by providing a mix of capabilities to its members, where civil actors would look to support a2i initiatives instead of building their own platform. Using its network, a2i wished to build support and legitimacy around a network owned platform that could meet the institutional ends-means of all members – from private to civil actors. Hence, as other actors were still newcomers to facilitating market-based partnerships, a2i was *motivated* to leverage its network, track record and institutional *means* to stay ahead while expanding its current role. The process of building a network-owned platform will be explored in the following section.

Overall, a2i response to explore impact financing is an outcome of the above motivations. Here a2i wish to add another level to their helix model (as illustrated in Picture 2 pp. 206) by including new financing *practices* and financial actors in their network. One pathway forward was adding to core institutional *means* (e.g., business expertise, network, and knowledge of developing economies) to include financing practice (e.g., experience in structuring deals, managing investor relations and developing new financing products). For example, a2i wanted to create a network-based financing platform where a2i could provide service to its members to move beyond the 'missing middle'. This would ensure more partnerships succeed and secure the networks own legitimacy to launch new initiatives. However, a2i would have to take up *activities* currently outside its current *means* and expand its network to include new actors. Given the above, a2i began translating its *motivations* into strategic intents, with initial discussions revolving around notions of:

- Understanding the financing needs of its members
- Building knowledge on supply-side criteria
- Recognise its role, value proposition and income models
- Identify pathways to engage financial actors
- Build legitimacy around its initiatives to gain member support.

Even though Danida repositioning aligns with a2i institutional *ends*, a fragmented financial ecosystem halted partnership from scaling and precluded the organisation from achieving its objectives. For a2i to achieve its institutional *ends*, the organisation needs to add to current *practice* and *means* to help members gain access to finance. Here a2i *response* follows *motivations* to bridge the gap, remain competitive and create members success to remain legitimate as a network.

Given the above, the following sections will explore how a2i's *response* translated into activities. It provides a descriptive analysis of key events and activities initiated during the research period. Figure 15 gives a timeline of critical events, described in the following section.

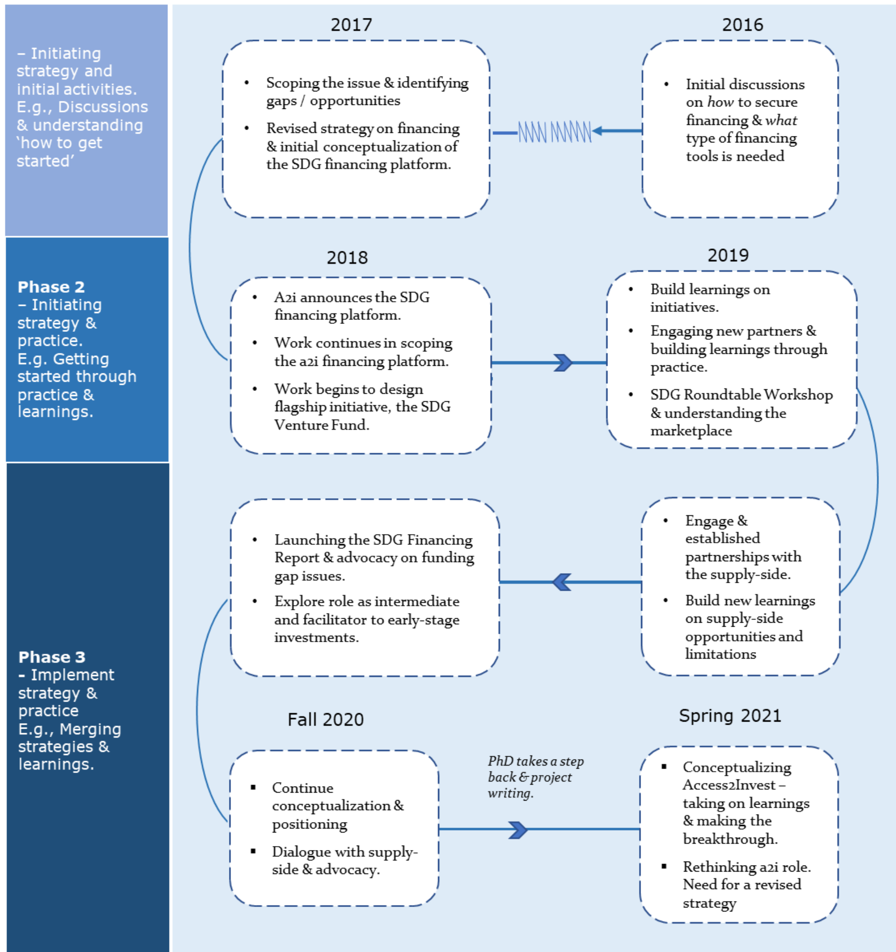


Figure 15 – Illustration of a2i timeline of key events during strategy-making

6.5.1. TRANSLATING MOTIVATIONS INTO ACTION

Phase 1: Initiating strategy & practice.

"(…) *if we are to meet the SDGs and realise the promising market potential, it requires us to work across organisational and institutional boundaries, as well as a match between the phases in project development and public- and private funding*."

Access2innovation (2020)

The quote encapsulates a2i network-based activities and their motivations to close the **'missing middle' for partnerships**. It also informs a2i point-of-departure to (re)position **and strategising to 'fill the gap' as** a network-facilitator to better match the supply- and demand-side. At the core of the a2i network-based model lies the involvement of different actors and management of their institutional *ends-means* to facilitate new solutions (Butler, 2016). Here a2i is operating in the centre of the helix, where the management of interests, resources, practices, and knowledge is a key network function (Ravn, 2012). While the involvement of diverse actors is essential for a2i function and *legitimacy*, this also complicates management as the network must accommodate different goals, interests and practices during the launch of new initiatives. For example, when designing the financing platform, a2i seek to create mutual ownership between members and partners in the network that accommodate their individual *ends-means*. Overall, a2i relies on five key groups of actors to play roles that they are accustomed to when designing a shared financing platform, e.g.:

- **Companies** bring their *ends (business- management and logic)* to get access to funding and leverage their *means* (resources, practices, and knowledge) to design relevant products and form a pipeline (a2i, 2020).

- **CSOs** bring their ends (civil sector goals and logic) to engage with private- and financial partners and leverage their *means* as development agents to deliver better outcomes (as described with WWF-DK and DRC).

- **Public actors** (as described in Chapter 4) seek to spur new partnerships to enhance their *ends* of development outcomes yet show limitations to support smaller projects.

- **Financial actors** (as described in Chapter 5) *end-means* governs their ability to invest at various stages of venture maturity depending on their motivations, impact, and risk-return preferences.

This is not to ignore other actors, such as universities, business organisations, policy-makers, and other public entities, who must also be included. To reach the full potential, a2i needs to consider each actor *ends-means* to create joint ownership, where actors can access resources, deals and funds to succeed.

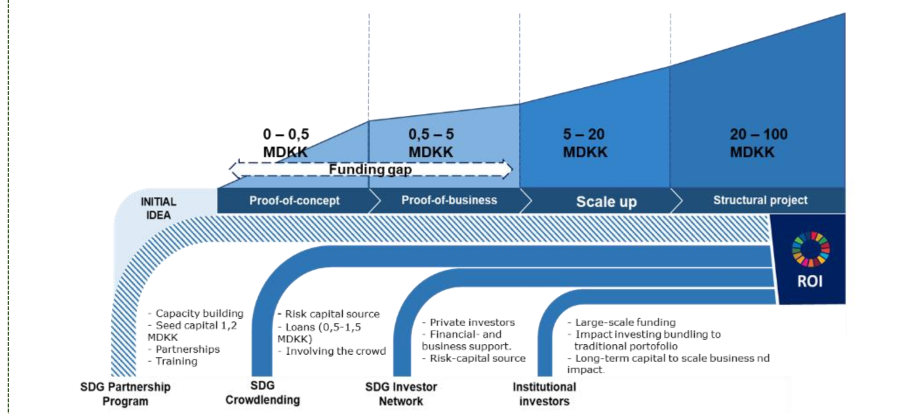
Given the above outline of members and partners that needed to be considered, a2i initiated plans in 2016 to formulate and develop four initiatives that could create synergy between members, public, and supply-side actors. Getting started, a review of the a2i track record of partnerships during 2016 helped initiate internal discussions on how to create a financing platform. These considerations promoted an exploratory search to understand *why* a2i members could not attract financing and *what* type of financing initiatives was needed to support them (a2i, 2020). In 2017, an initial analysis of the financial ecosystem was presented to the Board of Directors, followed by a revised two-year strategy to segment a2i new strategic intentions to leverage early-stage financing for its members. The revised strategy followed the conceptualizing of four impact financing initiatives with the combined potential to bridge the gaps and create a coherent financial ecosystem (ibid.).

The organisation worked to formulate, adopt, and test four initiatives involving public- and financial capital able to meet members specific needs for access to risk capital. Over time, these initiatives have been adapted as a2i knowledge of the funding gap, and the marketplace grew. However, the basic idea of creating a coherent chain of initiatives that could support projects from ideation to scaling has been prevalent throughout the period. Here Textbox 1 outlines each of the four initiatives:

Text box 1: Four concepts to access impact finance

The initiatives include (Source: a2i 2020)

- SDG Partnership Program: The program offers the Danish demand-side access to public funding, capacity building and local network to develop, test and demonstrate sustainable solutions targeting developing economies.
- SDG Crowdlending: Denmark's first online SDG crowdlending platform, where the average retail investor can lend capital to early-stage Danish partnerships or market-based solutions within the range between 0.1 - 2 million. DKK.
- SDG Investor Network: Network will be Denmark's first network for individual investors who wish to invest in early-phase Danish startups and SMEs with a strategic focus on developing countries and can generate blended value.
- SDG Venture Fund or SDG bundling: The initiative has varied between forming an investment fund or packaging several smaller projects (5 – 20 million DKK) into a single investment unit (i.e., bundling). The initiative aims to raise more significant investments of 150 – 200 million DKK and meet requirements from institutional investors.



Textbox 1 – Summary of a2i four concepts to promote impact finance.

As a network-based facilitator, a2i uses its members and external partners to quantify its strategic direction and gain legitimacy for its initiatives. For example, during the conceptualisation of SDG Crowdlending (as described in Textbox 1), a2i engaged in discussions with its members to obtain inputs and ensure alignment between a2i strategic intentions, create a sense of ownership, and cater to members institutional ends-means. By providing a network-owned platform that accommodates members' ends-

means, a2i can manage their expectations and gain the necessary legitimacy to take on a new *practice*.

In addition, as a2i had no prior experience in working with impact financing, the organisation intentionally adopted a practice-driven and exploratory stance. Without any organising template, i.e., having no prior experience, the organisation verifies its *activities* and strategic intentions by conceptualising initiatives in collaboration with members (and external partners). Through collaborative and practice-driven learning, the organisation and members provide feedback and resources to each other while building consensus around shared goals. As a network organisation, a2i constantly considers its members' institutional *ends* (e.g., goals, values) and *means* (business or civil *means*), with can imply accommodating competing or contradictory logics (e.g., private vs civil logics). Through practice-driven learnings, a2i presents initiatives to members, receive feedback, and adapt to meet their needs. These feedback loops and catering to members needs influence a2i strategising to launch a network-owned financing platform.

In the following section, this study uses the strategy formulation of the SDG Venture Fund as an example to illustrate a2i network-based facilitation to bring actors together, combined with the challenges of accommodating the on-the-ground realities of operating in developing economies with the risk-return preferences of Danish financial actors. This is not to ignore other initiatives, such as the SDG Crowdlending or SDG Business Angel Network. However, during the years, a2i initiated many different activities to raise the financing agenda. This study uses SDG Venture Fund as an illustrative example of a2i network-based strategising and practice-driven learning to narrow the focus, as the other initiatives follow the same approach as described above.

Phase 2: Initiating strategy & practice.

To kick-start the initiatives, the organisation hosted the *People, Planet Profit conference* in 2018. The conference was a three-day forum bringing together over 300 participants, members, and partners from all sectors. Moreover, the conference also presented an occasion to introduce the impact financing platform and the network's commitment to closing the '**missing middle**' gap (Globalt Fokus, 2018). The announcement received backing and support from members and external partners. Hence, with

initiatives being publicly announced, the organisation now had to translate commitments into action.

During 2018 – 2019, the a2i team initiated various *visionary activities* to implement the platform. One flagship initiative was the SDG Venture Fund, designed as an impact investing venture fund with a portfolio of Danish- and local projects with well-documented impact targeting markets in East Africa (a2i, 2020). The decision to conceptualise the SDG Venture Fund responds to the previous section's motivations to invest directly in the early stages and mobilises co-investment in members struggling to attract the funding needed for operational scale-up.

For example, the team saw a match between its current *practice* of having a documented track record of business development that could potentially expand to include the role as a fund manager. This is combined with an expectation that if a2i could leverage its network, both in Denmark and locally, then the organisation could stimulate more awareness around investing in development and appeal to Danish financial actors looking for impact investment opportunities (a2i, 2020).

During the Fall of 2018, the a2i team began conceptualising initial fund designs based on current knowledge and experience from facilitating partnerships in developing economies, combined with members feedback on the type of investment needed to expand operations[42]. During conceptualizing, a2i recognised the need to identify a partner who possessed the investment- and portfolio management track-record to complement the team's business development expertise. Through its network, a2i connected with Investo Capital[43], a Danish-based venture firm located in Aalborg. The two sides initiated a collaboration through mutual interests, where a2i required feedback on its SDG Fund Venture concept, while Investo saw an opportunity to co-develop a new impact fund. The two partners began to quantify the fund design from mutual feedback by exploring synergies between Investo Capitals institutional *means* of investment management and a2i *means* of business development.

The two partners held numerous meetings and workshops to discuss ideas, fund designs and expand areas for collaborations. The process was a back-and-forth process, where each partner presented ideas, gave feedback, reviewed pitch decks and had

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[42] *Please see External Annex C to see the draft pitch of the SDG Venture Fund.*

[43] *For more information, please see: Investo Capital Firm (https://www.investo.dk/)*

follow-up discussions on *how to* design the fund. Accordingly, a2i would present the SDG Venture Fund and received feedback on improvements. Based on feedback, the team would meet to adapt the fund design to, e.g., balance investment criteria or expand on fund design areas (e.g. risk-return features). Without a prescribed organising template (i.e., lack of familiarity with investment practice), the SDG Venture Fund became a 'learning by doing process', where a2i could self-assess the gaps between fund management and current *practice*.

Through the discussions with Investo Capital, the a2i team became more familiar with supply-side criteria, especially for first-time fund managers and the *practice* required to operate a fund (e.g., structuring deals, managing funds, governance, and investor relations). These reflections created learnings within the organisation as prescriptions for investment management began blending with other *praxis* and the organisation experience from operating in markets in developing economies. Through mutual learnings, the team began raising questions about organisational readiness and the potential mismatch between current *practice* and supply-side demands. Here, the team observed an apparent mismatch between traditional Danish venture fund designs and on-the-ground operating conditions in developing economies. Likewise, the team questioned the income model and viability of managing an SDG Venture Fund.

During a workshop in February 2019, it became apparent that misalignment between supply-side demands did not correspond with the on-the-ground reality of operating in East Africa. Similarly, the trade-off needed to comply with supply-side demands was not comparable to the organisation's experience and the need of its member's. To showcase the gaps, Annex G illustrates the misalignment between the SDG Venture Fund design and observed supply-side demands for first-time funds. Ultimately, the organisation concluded that its current practice in business development and facilitation did not comply with the supply-side actors' perceptions of high risk and performance for first-time funds. At this point, the organisation could not align current institutional *ends-means* with more established investment logic embedded in the supply side.

In the end, the initiative was put on hold[44]. Despite misalignment, the mutual learnings generated other insights, such as the disconnect between supply-side demands (e.g. criteria for risk, return, track-record and ticket size) and the ability to find a Danish fund management team with the needed investing expertise of developing and exiting deals in developing economies. Moreover, the pipeline of structuring a first-time impact investment fund with a portfolio of only Danish companies targeting developing economies would not be feasible. It was concluded that Denmark was simply too small and barriers for scaling companies were too large to create a viable pipeline[45].

To summarise, the *visionary activities* of establishing an SDG Venture Fund was perhaps ambitious. However, practice-driven learnings and *interaction* with members / external partners help stimulate mutual learnings to self-assess gaps between current *practice* and institutional *ends-means* on the supply side. In the end, the mismatch between a2i's and the supply-side became too large to establish a venture fund. Instead, a2i used learnings to understand how its *practice* could be stretched to take on other roles, such as network facilitation to deliver technical assistance, services and interactions between the Danish supply- and demand-side. Moreover, having built learnings on financing barriers, a2i formulated ways to leverage its network to advocate for change in current policy initiatives and business instruments. Even though the team did not achieve its ambitions, learnings influenced follow-up activities and created mutual learnings within the network.

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[44] *In 2019, the team did initiate a partnership with the Nordic Impact Funds, another venture fund targeting early-stage investments in developing economies. Through the partnership, a2i was meant to provide technical assistance.*

[45] *The lessons learned on the SDG Venture Fund was discussed during an SDG Roundtable workshop in Spring 2019, where members and partners shared learnings on structuring a venture fund in Denmark. To read a summary, please see External Annex D.*

6.5.2. USING THE POWER OF EXAMPLE

Phase 3 – Implement strategy & practice

In the Spring of 2019, the team arranged an invite-only workshop[46] to include members and partners in discussing how to advance the Danish financial ecosystem. To share learnings and involve participants, the a2i used the financing platform initiatives (as illustrated in Textbox 2 pp 218) to convene a discussion. With over 50+ participants, the workshop opened the discussion on how to meet the challenges and needs in the network. This study provides an extensive discussion paper on the workshop in **External Annex D**, yet a summary of outcomes concluded that:

- There is *no shared consensus* on early-stage barriers, with public, private, civil and financial actors having divergent views on where barriers existed. For example, public actors believed there was sufficient financial capital available. In contrast, financial actors demanded a pipeline of proven cases, while civil and private actors faced difficulty identifying funding.
- The *development context is fragmented* and disconnected from the supply-side, as initiatives operate in isolation. There is limited awareness from financial actors on *how to* invest in developing economies.
- There is *no shared language* or facilitation between the supply- and demand side on impact financing.

Overall, the workshop helped articulate shared discussions amongst members on the need to better understand early-stage financing barriers. As a network facilitator, the workshop influenced a2i activities in two ways:

1. The need to create shared consensus on the challenges and advocate for change.
2. Needs for better coordination and facilitation between the supply-side and members to stimulate awareness on both sides.

Firstly, based on learning outcomes from the workshop, the organisation wanted to create a shared consensus on financial barriers and converge members around a

[46] *The workshop brought together over 50+ participants from the public, supply, civil and demand side, including guest speakers from the OCED and IFC, to present topics on impact investing.*

shared message to draw public actors' attention towards the 'missing middle' gaps. During the Fall of 2019, the a2i team conducted numerous interviews, seminars, and one-on-one talks with members to identify challenges and needs[47]. The outcome was the SDG Finance Initiative report launched in 2020, as listed in **External Annex E**, which became the first-of-its-kind analysis in Denmark to examine the institutional barriers prohibiting market-based solutions from reaching scale (a2i, 2020)[48]. As a network-owned initiative, the report received backing from members and external partners - including two of Denmark largest business organisations, the Confederation of Danish Industry and the Danish Chamber of Commerce - who support a joint message around early-stage financing barriers and the impact financing initiatives.

Using its members and partners, a2i managed to mobilise a wide range of actors to build consensus on barriers and network ownership around shared goals to build a marketplace for impact financing[49]. On the one hand, using its position as a network, a2i could converge members around a single issue which went across institutional boundaries to build consensus on the need for a coherent financial ecosystem. For example, the SDG Partnership Program has been developed in close consultation with business organisations and civil actors. Despite having diverged institutional *ends-means*, the involved partners could find common ground and converge around shared goals to promote solutions for developing economies.

Although it required negotiations, a2i provides the platform that invites members to engage in shared dialogue, give feedback and build consensus across institutional boundaries to find complementary goals. As Smets et al. (2017) discussed, organisations, such as a2i, can structurally facilitate the accommodation of institutional complexity by supporting members in finding complementary institutional ends-means (e.g., build shared goals, where partners can complement each other to enhance their practice or resources).

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[47] *For example, this study interviews with 22 Danish SMEs and start-ups, seven interviews with CSOs and numerous interviews with supply-side actors created the data for the SDG Finance Initiative rapport.*

[48] *This study is the co-author of the report and builds on data collected from PhD interviews and workshops.*

[49] *For example, the proposed SDG Seed Program, an accelerator program for early-stage phases, was developed together with multi-sectoral partners who converged around shared goals and interests.*

Creating consensus on the financing gaps.

In many respects, the network succeeds in creating legitimacy behind its message yet **find it hard to 'get the message'** through to public actors. For example, through numerous media articles (Altinget, 2020, Finans, 2020, Børsen, 2020a, 2020b, 2020c), workshops and meetings with public actors, it remains challenging to revoke an agreement on *how to* close the gap for early-stage financing. Despite acknowledging the financing challenges, some public actors were resistant to induce change. As documented in Chapter 4, despite Danida ambitions to spur new partnerships to enhance their institutional *ends* of development outcomes, limitations suggest that *means* to support smaller projects have not materialized (Danida, 2019b). Similar IFU *ends-means* are geared towards leveraging institutional capital, which pushes out smaller investments and pipeline development (as documented by Danida, 2019a). The focus on institutional capital means that a2i members, who pioneer new business models often fall outside a certain investment size and risk-return profile. Despite having a public mandate to support smaller Danish SMEs, the embeddedness in investment logic seem to govern the type of project IFU is willing to consider. As financial barriers halt smaller projects from reaching scale, making them fall outside scope, there is an apparent misalignment between IFU public mandate and activities, as their failed track record makes them diverge from smaller projects (as described in Chapter 4).

To deviate from investment logic and goals, there is a need to prove that smaller projects can be profitable. However, suppose a financial ecosystem is unable to support a healthy pipeline of smaller projects. In that case, there will be insufficient evidence on the performance or track record of smaller projects needed to convince IFU to deviate from their current institutional *ends-means.* This creates a paradoxical role, as IFU embeddedness in investment logic governs its *means* to leverage institutional capital for large-scale projects. Yet its current *ends* is also mandated to support smaller projects.

Engaging financial intermediates and networks

Secondly, a2i also seeks to expand its network by collaborating with similar financial intermediates and networks by adding value to their work. For example, a2i reached out to Danish-based business angel networks based on mutual interest, where these networks could expand their offering to members by accessing a potential pipeline of blended value deals. In turn, a2i gains access to a group of financial actors interested

in early-stage financing. For example, the organisation established partnerships with Keystones A/S, Denmark's largest investment network, and held joint events where a2i members presented their business cases to investors. Conversely, supply-side actors were generally interested in the a2i network, pipeline, and *practice (e.*g., business development and knowledge).

However, actors also expressed limited awareness or experience working with cases targeting developing economies. The interests between a2i and financial intermediates spark mutual interests. Yet, the lack of awareness created a lengthy process, where a2i needed to continually engage in meetings, interpret feedback and seek to translate interest into action. For example, to succeed, a2i had to balance between understanding and mobilising its members. Hereafter, the organisation needed to translate business concepts into investment pitches, which could be matched with supply-side interests. Through the feedback, a2i had to constantly balance conditions and needs from the development context with criteria and low awareness on the Danish supply side.

Here a2i had to constantly adapt its role to help turn investment proposals into actual capital allocation. Overall, the organisation did identify several cases where the team was able to facilitate the interaction between potential financial actors and its members. However, balancing different actors, *ends-means* often results in complex setups and lengthy negotiations, where new investment models had to be invented to meet demand and supply and needs.

Becoming an investor

Given learnings on the lengthy process of facilitating supply- and demand-side, combined with limited willingness from public actors to change its stance. The a2i network reoriented activities in the Autumn of 2020. The team recognised it had to demonstrate the profitability of operating in developing economies to gain legitimacy from financial- and public actors to stimulate awareness. Hence, in January of 2021, the Board of Directors approved Access2venture ApS, a for-profit facility that provides small loans to members to build on-site demonstrations to prove their business model. The facility reflects a2i strategic commitment to build a track record and establish *legitimacy* around smaller projects profitability. Using the power of examples, a2i aims to illustrate that it can deliver returns and impact in developing economies.

Overall, the description of the a2i strategising process follows the notion of Smets et al. (2017), who believes organisations strategy-making is influenced by their everyday actions and interactions with their surroundings. Here strategising is a never-ending process shaped by the ebbs and flows of practice-driven learnings that inform new activities and modify strategy as actors gain experience.

As a network-based facilitator, a2i has an interdependence with its members, where the organisation needs to create value for its members, while their success creates legitimacy for the network. Using its members and network as guidance, a2i navigate an *emerging field* and adopt new financing *practices* through an exploratory stance, where practice-driven learnings and close collaboration with members constitutes how to succeed. Here practice-driven learning constantly shapes the strategising process and new activities due to lessons learned. To illustrate, the a2i strategy-making of Figure 16 summarised the process in the conceptual model.

Figure 16– Conceptual models to illustrate a2i strategising process (follows SSM Step 2).

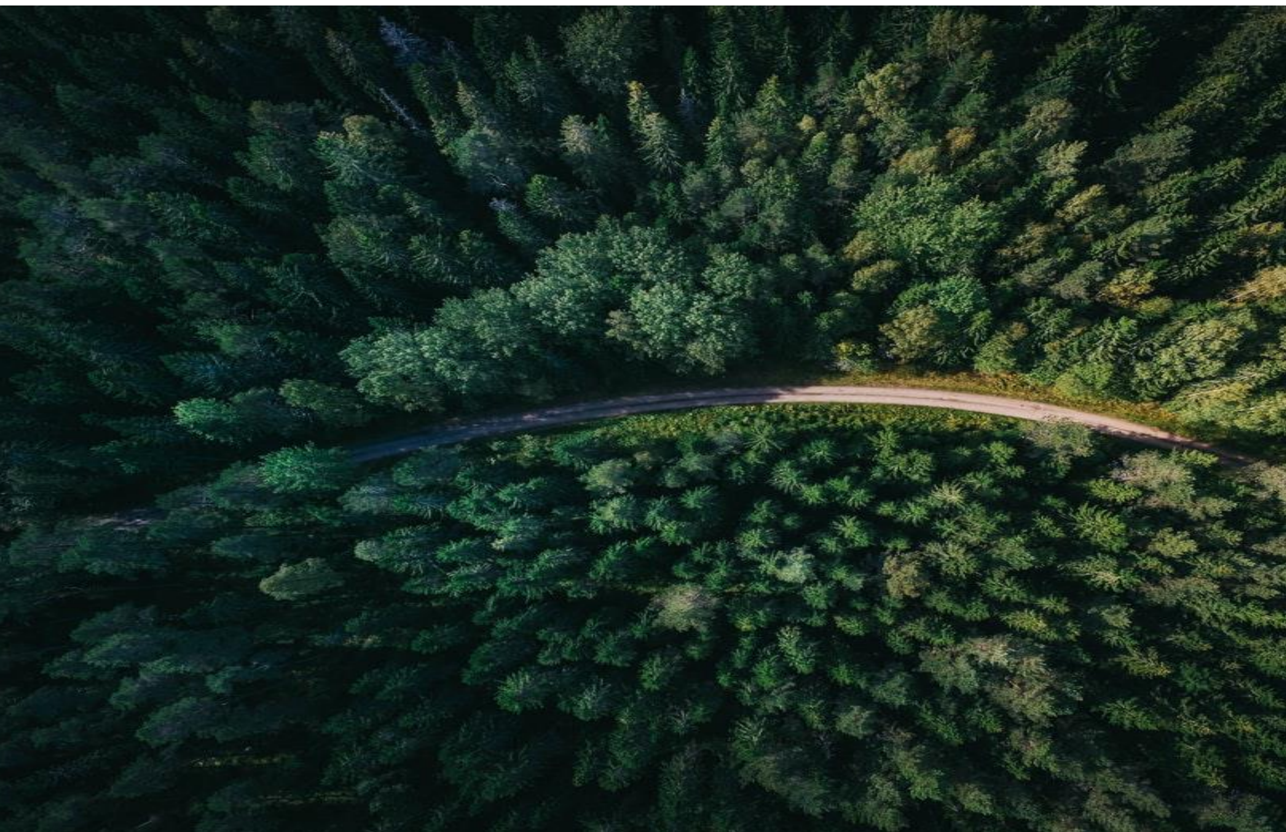
6.6. SUMMARY OF FINDINGS FROM THE ORGANISATIONAL LEVEL

The following outlines the findings emerging from Chapter 6, relating to:

Theme Key terms	Project partners (civil- and intermediate actors) - Findings
Impact investing principles ▪ Intent, contributions, measurement ▪ Impact & real-world outcomes ▪ Actors' motivations ▪ Organisational characteristics	▪ Project partners take different representations to their impact-investing related strategy, e.g.: ▪ *WWF-DK use BNS to promote projects with positive nature-based outcomes alongside risk-adjusted return.* ▪ *DRC use innovative finance to leverage investments that intentionally target humanitarian areas.* ▪ *A2i uses the term impact financing to identify, promote and communicate about its partnerships, which offers solutions that contribute to real-world outcomes.* ▪ Partners share motivations to promote investments with blended value features and leverage financial resources towards their objectives.
Marketplace framework ▪ Actors ▪ Enabling environment ▪ Diversity, Coherence Coordination	▪ For WWF-DK, the marketplace could help scale up BNS and diversify resources towards strategic intentions. ▪ DRC feels pressure to identify new financing solutions as the status quo becomes a 'burning platform.' ▪ a2i aligns with policy priorities in the development context yet lacks access to funding to move projects. A2i seeks to *interact* with an emerging marketplace to access resources and expand practice. ▪ *Partners identify shifts in the Danish development context and explore an emerging marketplace. The increasing diversity of actors seeking blended value mean partners observe a match between their objectives and, e.g. financial actors within impact investing.*
Institutional theory ▪ Institutional ends-means ▪ Logics ▪ Prevalence of logics ▪ Fields ▪ Institutional arrangements / complexity / legitimacy ▪ Organizational Responses	▪ WWF seeks to understand BNS. However, practice resides outside core institutional means and civil logic. WWF experiences tensions between strategic intentions; hence only complementary BNS practices gain legitimacy. ▪ DRC feels tensions when adopting innovative finance, competing with embedded civil logic- and institutional means. New logic and change are introduced due to top-down commitment. ▪ To achieve its institutional ends, A2I need to expand means and take new considerations and practice towards impact financing. As a network-based actor, a2i needs to balance other actors ends-means to create value.

SAP ▪ Practice ▪ Motivations ▪ Types of activities ▪ Actors ▪ Interactions ▪ Strategy-making / objective	▪ WWF interactions with an emerging marketplace spur curiosity towards BNS. *Visionary* and *autonomous* activities promote practice-driven learnings from the bottom up. BNS practice diverges from prescribed activities; hence only certain strategy elements are adopted. ▪ DRC top-down commitment and strategic intent imply an exploratory, risk-taking and practice-driven approach. Here innovative finance and *visionary* activities were disconnected from organisational-level practices creating tensions. In the end, commitment by-pass and injected new practice. ▪ As a network-based actor, a2i uses practice-driven learnings and feedback with members to guide activities, ensure value and create shared ownership. A2i uses learnings to constantly adapt and accommodate other ends-means to articulate its role and pilot-test impact financing activities. ▪ *Partners' motivations translate into a response that initiates a strategising process. Each seeks to navigate new practice with no clear organising templates and use practice-driven learnings to craft strategy.*

Table 25 – Summary of findings from Chapter 6



"To reflect on the lessons learned, consider the desired changes in the years ahead, and ***honestly assess*** *whether enough is being done to contribute to a better, brighter, and more equitable future.* ***The impact investing movement has reached such a moment****."*

Amit Bouri, CEO, Global Impact Investing Network
(GIIN, 2018 pp. 3)

CHAPTER 7 – DISCUSSION

The chapter aims to present the discussion and interpret findings made during this study. The chapter connects with the RQ and reviewed literature to discuss the implications of findings to shed light on the impact investing marketplace and related strategising. Hence, the chapter discusses themes that emerged from the analysis compared to existing literature and research aims. Moreover, the sections also wish to discuss practical implications, limitations, and potential future research within the context of impact investing.

Overall, this is the first academic study to characterise the Danish impact investing marketplace through *institutional level* interpretations of actors – from the public, supply, intermediate and civil-side – and to *organisational-level* strategising (and feedbacks between them). Likewise, this study contributes empirical research to an evolving field of interest concerning field segmentation, strategies, and characteristics (Bengo et al., 2021, Roundy, 2019, Castallas & Ormiston, 2018; Daggers & Nicholls, 2017; Höchstädter & Scheck, 2014).

Before moving into the discussion, Figure 17 summarises the findings from previous chapters. Here the figure connects the conceptual framework with key findings to provide an overview.

Given the above, Chapter 7 is separated into the following sections:

- **Section 7.1**. The section discusses interpretations of findings and their implications to impact investing literature. Lastly, the section discusses the research- and practical implications of this study.
- **Section 7.2**. The section identifies potential limitations and makes suggestions for future research.

Public side ■ Supply-side ■ Project partners (civil & intermediate side)

<table>
<tr><th></th><th>Impact investing principles</th><th>Marketplace framework</th><th>Institutional theory</th><th>SAP</th></tr>
<tr><td>Public side</td>
<td>• Danida's seeks to leverage financial investment with blended value properties for development and is motivated to mobilise new development agents to gear donor aid towards development outcomes
• Danida seeks to leverage financial investments and build momentum be-hind investing for development outcomes.
• IFU is adopting impact principles and provide co-investing opportunities for institutional investors to build learning on impact investing practice.</td>
<td>• Policy incentives seek to promote new roles for, e.g., civil actors, co-creation and potential investable pipeline on the demand side.
• Efforts to build an investable impact market in development appear to be converging.
• Danida seeks to incentivise and increase the diversity of actors by providing co-investments supporting new intermediates, advocate for blended value, and encouraging co-creation.
• Danida is willing to trade-off development objectives to create track-record investing for development.
• Policy initiatives seem to struggle with stimulating the demand-side and readiness for civil actors.</td>
<td>• Through public logic, Danida uses donor aid and incentives to shape arrangements.
• IFU is an important tool to merge public- and investment logic. The prevalence of investment logic makes IFU pivot towards institutional capital to remain legitimate and profitable.
• Complexity arises between investment logic and development objectives, which result in trade-offs for IFU as it seeks to balance public mandate and risk returns.
• Danida is willing to compromise on public logic to build legitimacy around IFU and balance development- and financial ends.</td>
<td>• Policy incentives and shifts in context could influence project partners responses and strategy-making to remain a relevant development agent.</td></tr>
<tr><td>Supply-side</td>
<td>• Financial actors interpret impact investing and how to achieve real-world outcomes according to their worldview(s) and organisational characteristics.
• There is no one definition, instead actors observe impact investing through value-alignment, impact-generating, or alignment practice.
• Type A owners see impact investing as a reflection of values. Impact-labelling gives legitimize and sense of purpose Type A to C managers are motivated by (i) demand, (ii) organisational risks of not acting and (iii) being responsible
• Interpretations depend on how logic aligns actors' institutional means or ends and is filtered through individual characteristics.</td>
<td>• Actors' motives, interpretations and practices show market diversi-ty, as actors explore pathways to participate and adopt various in-vestment strategies.
• Limited coherence means diverged understanding towards impact investing definition. Actors have different interpretation of how to invest with impact.
• Lack of coordination means actors operate in silos, with limiting investment opportunities, awareness, and segmentation of practice. .
• Some actors see a perfect fit being the development context and own interpretations of impact investing.</td>
<td>• Type A display low prevalence of investment logics, as actors consider how ends of motives and values match means of investment management. Here impact- and investment logics complements
• Type B and C actors embedded in investment logic and value capture. Actors express the importance of upholding financial considerations and investment logic to ensure impact investing fall within a mainstream practice.
• Actors ends and means diverge on achieve blended value. Type A are open new considerations in practice to achieve real-world outcomes. Type B and C to stay within financial considerations.
• The marketplace is an emerging field with undefined institutional arrangements. There is diverged views and uncertainty on how to invest with impact.</td>
<td>• Increasing market activity and diversity could influence project partners as they initiate strategy-making and interact with financial actors to leverage new resources.</td></tr>
<tr><td>Project partners (civil & intermediate side)</td>
<td>- Project partners take different representations to their impact-investing related strategy from BNS, innovative finance to impact financing.
- Partners share motivations to promote investments with blended value properties and leverage financial resources towards their objectives</td>
<td>• For WWF-DK, the marketplace could help scale up BNS and diversify resources towards strategic intentions.
• DRC feels pressure to identify new financing solutions as the status quo becomes a 'burning platform.'
• a2i aligns with policy priorities in the development context yet lacks access to funding to move projects. A2i seeks to interact with an emerging marketplace to access resources and expand practice.
• Partners identify shifts in the Danish development context and explore an emerging marketplace. The increasing diversity of ac-tors seeking blended value mean partners observe a match be-tween their objectives and, e.g. financial actors within impact investing.</td>
<td>• WWF seeks to understand BNS. However, practice resides outside core institutional means and civil logic. WWF experiences tensions between strategic intentions; hence only complementary BNS practices gain legitimacy.
• DRC feels tensions when adopting innovative finance, competing with embedded civil logic- and institutional means. New logic and change are introduced due to top-down commitment.
• To achieve its institutional ends, A2I need to expand means and take new considerations and practice towards impact financing. As a network-based actor, a2i needs to balance other actors ends-means to create value.</td>
<td>• WWF interactions with an emerging marketplace spur curiosity towards BNS. Visionary and autonomous activities promote practice-driven learnings from the bottom up. BNS practice di-verges from prescribed activities; hence only certain strategy elements are adopted.
• DRC top-down commitment and strategic intent imply an exploratory, risk-taking and practice-driven approach. Here innovative finance and visionary activities were disconnected from organisational-level practices creating tensions. In the end, commitment by-pass and injected new practice.
• As a network-based actor, a2i uses practice-driven learnings and feedback with members to guide activities, ensure value and cre-ate shared ownership. A2i uses learnings to constantly adapt and accommodate other ends-means to articulate its role and pilot-test impact financing activities.
• Partners motivations translate into a response that initiates a strategising process. Each seeks to navigate new practice with no clear organising templates and use practice-driven learnings to craft strategy.</td></tr>
</table>

Figure 17 - Summary of findings from Chapter 4 – to Chapter 6. The figure categorises findings based on

7.1. THE MARKETPLACE & STRATEGISING

Impact investing at institutional-level

One implication of the findings is the need to consider impact investing and related strategising within the specific conditions and institutional context where it occurs. This study shows how *public actors* have various options to enable investments with blended value features within a specific institutional context. Likewise, *financial actors* interpret and practice impact investing corresponding to their institutional ends-means, organisational characteristics, motivations, and the facilitative market conditions present (e.g., the level of diversity, coherence, and coordination to overcome barriers). Overall, the study illustrates the complexity and involvement of various conditions that shape an impact investing marketplace. Here individual actors are still fairly new entrants to the field and have only recently begun defining strategies to participate.

Other literature has provided essential insights into the individual-level characteristics of impact investing from the perspective of different actors – e.g., the supply, demand, or public side (Barber et al., 2021; Castallas & Ormiston, 2018; Addis, 2015; Wood et al. 2013). However, to comprehend the entire marketplace, this study sees it necessary to explore all conditions required to produce impact investing and consider all actors needed to sustain it. This study does not underestimate research on the individual level. However, scholars should pivot towards examining the conditions influencing actors' views or efficacy on impact investing to capture differences in how it emerges and evolves under different conditions or institutional contexts. One implication of findings is examining a broader range of actors (from the public, financial, civil and intermediate) to delineate how their roles, interpretations, motives, and institutional ends-means translate into impact investing and shape the marketplace. As more actors want to drive positive change, academia should respond by better understanding the nature of impact investing activity, combined with the institutional context where it could grow or falter. As argued by OECD (2019), actors often operate in silos in traditional markets, where public- and civil actors focus on meeting impact needs, while financial- and private actors focus on returns and business growth. However, to achieve blended value, there is a growing need for actors who can work across sectors to solve real-world challenges. Hence, limiting the academic focus to only one group of actors raises the risk of generalisation and not identifying the interconnections

needed to achieve blended value. In response, there is a need to demonstrate how finance can bridge sectors and identify areas where blended value intersects. Focusing on interconnecting the marketplace helps capture the forces and conditions needed to build an investable impact marketplace.

Accordingly, this study observes different parts of the marketplace and a specific institutional context to demonstrate the facilitative conditions needed to pursue blended value. Here Figure 18 summarises the interconnections between actors into one final market framework.

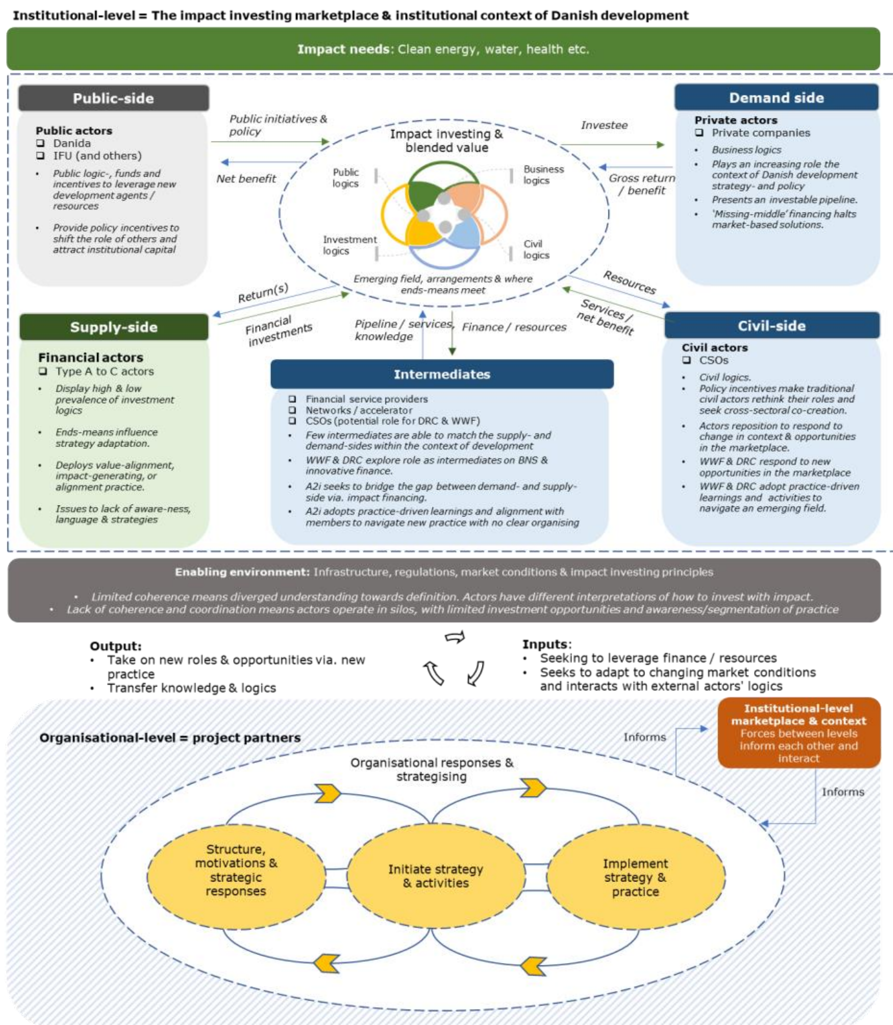


Figure 18 - Summaries market frameworks from Chapter 4 to Chapter 6 and outlines conditions.

Public actors

Chapter 4 shows how public actors (as highlighted in **grey** in Figure 17 and Figure 18) can introduce a broad range of policy initiatives and incentives within specific institutional contexts to leverage financial investments or resources with blended value features towards impact needs. In this case, Danida's role in the context of Danish development demonstrates that public actors shape incentives for others to promote, e.g., new intermediate roles for civil actors or co-investing opportunities to leverage institutional capital with development outcomes in mind. As discussed by Mackeviciute et al. (2020), Schwartz et al. (2015), Addis (2015), and Wood et al. (2013), successful public initiatives can shape marketplaces and leverage new resources to serve impact needs. Meanwhile, poorly designed policies create barriers that diverge investments away. Accordingly, Danida is motivated to leverage financial investments and build legitimacy behind investing for development outcomes, with schemes focusing on facilitating institutional capital, promoting new intermediates and pipeline of demand-side projects. Policy initiatives like the SDG Investment Fund have successfully created co-investment opportunities to leverage large-scale capital with development benefits. Yet, public actors also recognise that institutional capital needs and preferences are not well aligned with the pursuit of certain development outcomes (Danida, 2017c).

Likewise, public actors may address the demand- and civil side by introducing initiatives to boost private actors' involvement or civil actors' capacity to take on new roles. However, as documented in Chapter 4, the facilitation of these actors remains scarce or unproven. At the same time, the need to cater to institutional capital seemly govern the current institutional *ends-means* of public-private actors, such as the IFU, as the organisation express limited success with promoting smaller investments or pipeline of bankable projects. As Danida is taking the initiative and an active role in leveraging blended value towards development outcomes, there is a need to tailor initiatives to better fit the needs of smaller projects to ensure a pipeline able to sustain an investable impact market.

In their pursuit of new resources, public actors could face *institutional complexity* when, e.g., seeking to leverage financial investments and bringing in new development agents. For example, the SDG Investment Fund successfully leverages large-scale institutional capital to enhance development objectives. In the pursuit, public actors

must recognize and be aware of the compromise between achieving certain development outcomes and catering to balance risk-return to gain legitimacy with institutional investors.

Here public actors, such as Danida, display clear ambitions to build legitimacy, co-investments, and track-record behind investing for development. While the development of public-private co-investments, such as the SDG Investment Fund, is crucial to increase institutional capital involvement and leverage additional investments that might not otherwise have been accessible. These public-private initiatives must target strong risk-adjusted returns, as not to conflict with, e.g., pensions funds fiduciary duties. While institutional capital can provide large-scale funds, the high-prevalence of investment logic must be considered, as only certain development objectives that deliver the needed risk-adjusted returns can be targeted. For example, as shown in Chapter 5, Type C actors (e.g., Danish pensions funds) displayed a strong interest in impact investing, yet their organisational characteristics prohibit them from taking unnecessary risks to achieve development outcomes. Here impact logics are complementary to consideration of risk-return to ensure limited trade-off to pension funds institutional ends-means (e.g., fiduciary duty towards members*).* Hence, only when public actors can provide appropriate co-investments will these actors be able to engage. **Here studies should evaluate Danida's ability to** incorporate (and uphold) impact principles in future public-private co-investments that improves the alignment between development outcomes and investment objectives.

One benefit from studying different segments of Danish financial actors has been to demonstrate how some investors are more open to new considerations of impact investing for development. For example, some Type A actors (primarily asset owners and few managers) view developing economies as perfect fits to their values and motives to achieve value-alignment and impact-generating strategies. These actors could be well-positioned to experiment and innovate with public-private co-investment opportunities that do not meet the risk-return criteria of Type B and C actors (e.g., mainstream asset managers or pensions funds). Here public actors could benefit from promoting different types of co-investment opportunities, products, and platforms to match different segments of Danish financial actors in alignment with their impact investing strategies.

As described in Chapter 5, findings suggest that Type A actors could consider idiosyncratic risk or foster novel financial ventures if it aligns with their contribution to deep-level impact or values. Meanwhile, Type B and C actors are more suitable for broad-level impact without compromise to financial considerations.

Going forward, public actors should reflect on their role in (i) attracting and leveraging financial investments, e.g., tailoring public initiatives to better suit different segments of financial-, civil and demand-side needs. (ii) Public actors as 'enablers' to create legitimacy behind impact investing for development and take on initial risk to support a healthy pipeline that can sustain a marketplace. Overall, one implication of findings is the segmentation of the marketplace to better convene actors – from the public, intermediate, civil and demand - around specific themes to better match different types of considerations towards blended value for development.

Supply-side actors

Concerning the supply-side (as highlighted in green in Figure 17 and Figure 18), one implication of findings is how Danish financial actors interpret impact investing and translate what it means to *invest with impact* through their worldview(s), motives, and organisational characteristics. Even though all actors believe that impact investing encompasses blended value, their views diverge on achieving it. Here institutional theory becomes an applicable lens to explore how the relations between *ends-means* allow some financial actors to adopt different considerations towards the field and impact investing. For example, some Type-A actors (primarily asset owners and few managers) empathise *hearts over minds* strategies to pursue value-creation (segmented in this study as value-alignment or impact-generating strategies). In contrast, others Type B and Type C actors (primarily asset managers and few owners) are still being embedded in *minds over hearts* to interpret impact investing according to value capture (segmented as impact-alignment strategies). Consequently, organisational characteristics and marketplace conditions could influence how actors consider and adopt blended value strategies.

This study also promotes a novel proposition to move the definitional- and boundaries debate on impact investing. From findings, Danish financial actors display limited consensus on what constitutes impact investing, meaning settling on any one interpretation seems highly unlikely. Here Type A to C actors reorients towards the field

from different standpoints depending on their ability to balance impact- and investment logics.

Hence, despite lengthy academic and practitioners' discussions on impact investing definitional boundaries, this study suggests that these have not provided market clarity (IFC, 2019; GIIN, 2019; Findlay & Moran, 2018; Rizzello et al., 2017; Höchstädter & Scheck, 2014). Instead, Danish actors genuinely believe impact investing encompasses some level of blended value but find it challenging to grasp impact from an investor perspective. For example, in interviews with Danish financial actors, the researcher discovered the lack of reference to acknowledge definitions, such as the Global Impact Investing Network (GIIN, 2019). These learnings influenced the format of interviews, which went from exploring interpretation to one definition to instead asking participants to reflect on the *why* and *how to* invest with impact. This gave a more nuanced insight into financial actors' different objectives and their challenges to evaluate impact from an investor's perspective.

Given the above, this study follows calls for definitional re-orientation, as made by Bursh et al. (2021), Kölbel et al. (2020) and Roundy et al. (2017), to provide clarity on the underlying promise of impact investing, namely ensure investments actively contribute to solving real-world issues. Hence, instead of studying actors' interpretations to uniform impact investing definition, the discussions could re-orient towards understanding *why* financial actors seek to achieve impact and *how to* invest to achieve real-world outcomes according to different motives (as outlined in Chapter 2). Based on findings, this study differentiates financial actors on how their interpretations and motives for investing with impact translate into practice. Here segmenting financial actors based on their objectives to drive positive change brings perspective to move beyond arguing what constitutes impact investing, to instead evaluate financial actors' intent to achieve impact.

Furthermore, more detailed segmentation of financial actors based on 'investor-impact' and mechanisms to achieve real-world outcomes could build a shared language on *investing with impact*. Accordingly, to ensure academic definitional discussions have practical implications, the field should seek to understand the range of interpretations and strategies available to different segments of actors to cause investment-induced outcomes.

As described in Chapter 5, actors' interpretations of *investing with impact* are governed by their individual motivations and organisational characteristics, not by consensus on how to contribute to real-world outcomes. Accordingly, re-conceptualising impact investing from a uniform definition to building a typology of investment mechanisms or strategies contributing to real-world issues could provide more marketplace *diversity* and *coherence*.

This study exemplifies how different institutional *ends-means*, motives and subjectivity inhibit Danish financial actors from embracing a uniform interpretation. Instead, the study differentiates between three categories to segment strategies, illustrating the variety of pathways to participate in the marketplace on different levels. These pathways are illustrated in Figure 19, which summarises strategies to impact investing.

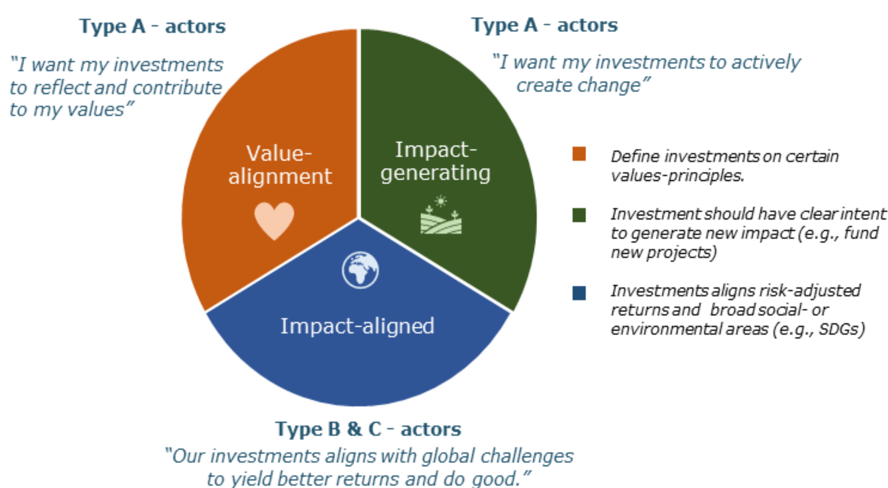


Figure 19 - Three segments and strategies to investing with impact

These strategies are not always compatible, yet segment financial actors based on their intents, motives, and practice. Moving forward, research should provide better segmentation to promote shared understandings of how real-world outcomes can be achieved or translated into strategy.

Another implication of findings illustrates the diversity of institutional ends-means present in financial actors' considerations towards impact investing. Previous literature seems to conclude that financial actors divert from impact logic and the dominance of investment logic (Bengo et al., 2021; Castellas et al., 2018; Nicholls, 2010). In

contrast, this study identifies more complex institutional patterns. For example, some Danish financial actors prioritise impact logic favourable to their institutional ends (values). While others uphold the prevalence of investment logic as legitimate to their institutional means (risk-return). The mix of prioritisation of institutional ends- and means creates a diversified marketplace with distinct characteristics, as actors can prioritise logic favouring their goals. As the field matures, studies should evaluate if actors evolve more shared priorities or investment logics become dominant, as indicated by other studies (Ibid.)

From an institutional perspective, actors' prioritisation of impact- or investment logics determine their place in the marketplace. Whereas the Type A (primarily asset owners and few managers) institutional ends open new considerations towards impact investing, Type B and C (primarily asset managers and few owners) remain more peripheral and stay within well-institutionalised scripts of investment logic. The range of motivations, practices, and interpretations underscores that the Danish marketplace is still emerging.

Ultimately, more research is needed to disentangle how Type A to C actors institutional ends and means are sustained or evolve. Meanwhile, Danish financial actors' consensus that impact investing constitutes blended value separates it from other SI- or mainstream fields. However, it remains unknown whether or not the Danish impact investing marketplace can become institutionalised or is a temporary phenomenon within existing fields. As mentioned, Danish financial actors have no shared interpretation of impact investing and are more interested in the promise of driving positive change with their investments. For example, Type B and C actors seem to pivot towards integrating impact considerations into mainstream investment management rather than adopting a new practice. Over time, it could become evident if impact investing becomes its own established field or if shared norms of *investing with impact* re-form priorities in more mature financial fields, as actors adopt impact, risk, and return parameters in their mainstream practice.

Organisational-level & strategising

The research aim of this study was to explore project partners related strategising within the institutional context of Danish development. This study shows how interconnected levels influence each other, with project partners navigating an emerging

impact investing marketplace and shifting trends in Danish development. Hence, project partners organisational responses are linked to their constant interpretations and interactions with the context- or other actors.

Project partners

As described, scholars have made calls for research examining the interconnection between organisational- and institutional-level, combined with actors' strategy-making within emerging impact investing fields (Bengo et al., 2021; Birkholz, 2015; Castaellas & Ormiston, 2018; Nicholls & Draggers, 2017).

This study shows how three individual organisations (as highlighted in blue in Figure 17 and Figure 18) observed opportunities in the impact investing marketplace as a response to shifting trends in the development context. Each organisation translated these opportunities into a response and initiated a search for new practices. Despite taking different representations to impact-investing-related strategies - ranging from the World Wildlife Fund – Denmark strategy-making on bankable nature-based solutions, Danish Red Cross commitment to innovative finance, and Access2innovation initiatives to leverage financing - each organisation seeks to adopt practice outside their day-to-day institutional prescriptions. This involves crafting a strategy without clear organising templates and navigating via practice-driven learnings. Similarly, project partners engage in activities outside core institutional means, forming tensions between embedded practice and other strategic intentions. As documented, this study offers novel insight into how motivations, organisational response and interactions can translate into practice.

Moreover, responses without institutional prescriptions are dynamic and never-ending strategising, as organisations seek to navigate an emerging field and engage in a new practice, often outside their traditional operations.

The insight offered should be explored in other studies, e.g., supply- or public actors, who seek to adopt or promote impact investing practice. Consequently, this study shows that strategic responses to the impact investing marketplace are diverse and depends on organisations' observation of changes and opportunities. This study provides a preliminary assessment of how actors initiate related strategising and motives to craft strategy. For this reason, more research is needed to explore actors' motivations and pathways to engage impact investing and outline actors strategising within different institutional contexts.

Using an organisational and institutional level perspective will help outline the interconnected systems of organisations, institutional arrangements and conditions needed to sustain a marketplace.

Given the above, the following sub-section will expand on the practical implication before Section 7.2 describe limitations and future research areas.

7.1.1. PRACTICAL IMPLICATIONS

From this study, one implication of the findings concerns the supply-side. In interviews, financial actors expressed confusion towards impact investing definitions; hence this study provides an overview of its principles while expanding on the term 'impact' (or real-world outcomes) and how it can be stimulated through investment strategies. For example, Chapter 2 provides a perspective on how investors can classify 'impact'. In addition, Chapter 5 outlines how different segments of actors can stimulate real-world impact or incorporate it into investment strategies. This study has identified potential strategies that are not currently envisaged by literature and has provided asset managers and owners with (i) an overview of the Danish marketplace, (ii) potential pathways to accelerate their participation, and (iii) supporting actors in translating distinctive impact investing principles into practice.

Another implication concerns an overview of marketplace barriers relating to lack of shared language and investment opportunities. In order, to remain competitive, asset managers need to become more specialised to expand product offerings tailored to different segments of asset owners. As market demand increases and asset owners become more knowledgeable, there is a need for asset managers to develop the in-house specialised capacity to serve these needs. Moreover, public actors interested in promoting specific impact needs can remove market barriers by investing resources to increase market *coordination* and *coherence* to support different segments of financial actors.

For public and civil actors (e.g., Danida or project partners), the motivations and characteristics of certain segments of financial actors considerations of impact investing could be more appropriate for specific contexts. For example, Type A actors might be

better capital providers in the Danish development sphere due to their impact investing strategies. Accordingly, taking the time to segment investors based on their motivations, outcomes, and characteristics could provide pathways for meaningful collaborations.

Finally, this study provides insight into how the Danish civil- and intermediate sides evolve and experiment with new practices. In recent years, civil actors and others are beginning to make an imprint in the marketplace. While the marketplace and impact-related investing strategies represent considerable opportunities, this study also shows the host of challenges for actors when engaging. One of the most apparent implications is applying practice-driven strategising as a way forward. Here actors need to engage via. an exploratory stance that enables them to develop, test and adapt within an emerging marketplace without organising templates. This study showcases the challenges and lessons learned in adopting a new practice or assessing own readiness to engage.

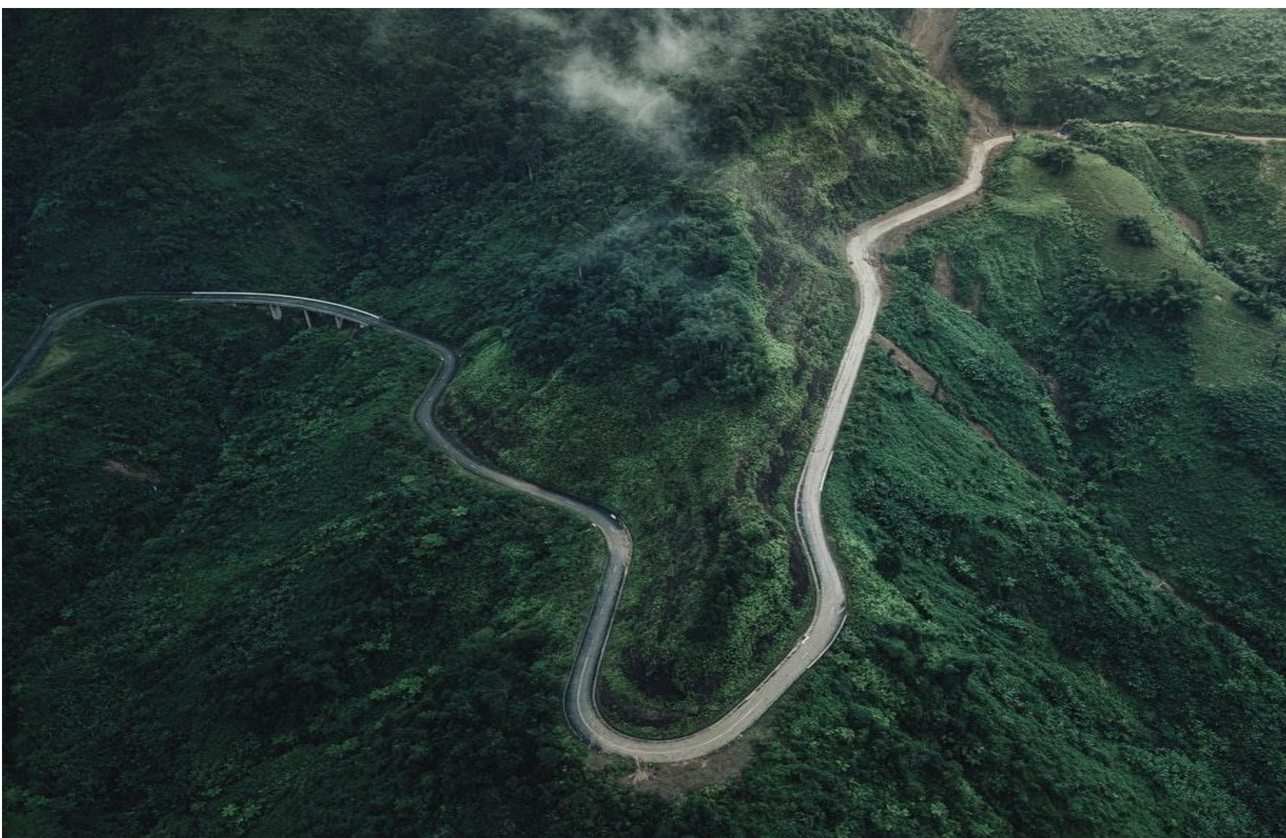
7.2. LIMITATIONS & FUTURE RESEARCH

This study includes limitations, which also presents directions for potential research on impact investing. Firstly, this study is limited to the Danish marketplace, meaning specific conditions and context should not be generalised to the entire impact investing sphere. Instead, it should serve as a comparison and conceptual framework to explore other institutional contexts or countries settings. Similarly, future research is needed to compare findings across contexts to identify cross-cutting patterns to how impact investing emerges and grows. Here studies could also explore regions where the socio-economic context is less developed, such as the impact investing marketplace in developing economies. The institutional perspective provides a valuable lens to explore the arrangements and setting of an emerging marketplace. However, the related research field of system thinking, or entrepreneurial ecosystems could be helpful to disentangle the relationship, feedback loops and adaptive systems that comprise a marketplace, to provide additional perspective to how impact investing emerge.

In the impact investing literature, the definitional and terminological boundaries have been a long-standing debate. However, little is known about impact investing strategies actual real-world outcomes on society. As interest in impact investing grows,

there is a need to clarify which investment strategies are most effective in creating positive change and provide additional guidance to investors and others. Moreover, this study uses its project partners to explore the organisational level. However, project partners represent the civil- and intermediate sides; hence the study is limited to these parts of the marketplace. Similar organisational-level studies should be expanded to other parts of the marketplace to explore practice-driven strategising. Likewise, examining three project partners and practices has given an extensive understanding of barriers and opportunities. Yet, findings might be biased and should not be generalisable to the entire sector. Instead, future research should continue to unfold individual actors strategising on impact investing. Here the literature and academic discussion is still limited on the potential asset and imprint civil or intermediate actors have on the marketplace.

To summarise, the following chapter will conclude on the findings and contributions made to answer this study's RQ and research aims.



*"This is the **revolution that impact investment portends**. Across the world, we can harness entrepreneurship, innovation, capital and the power of markets to do good. If we achieve our goal, in future the **invisible heart of markets** will guide **the invisible hand** to improve the lives of those who would otherwise be left behind."*

Sir Ronald Cohen, Social Impact Investment Taskforce, G8
(SIIT, 2014b pp. 25)

CHAPTER 8 – CONCLUSION

This study contributes to an emergent field of interest as the first known academic study to characterise the Danish impact investing marketplace and individual actors related strategising activities[50]. Hence, this study set out to explore the following research question:

What characterises the Danish impact investing marketplace and related strategising in the context of Denmark's development strategy and policy?

The main RQ translates into the two SQs focus on (i) understanding Danish actors' interpretations, motives, and practices towards impact investing, (ii) explore project partners related strategising. Overall, impact investing in Denmark is characterised as an emerging field with actors beginning to explore and adopt strategies to participate. Hence, the study documents how a Danish marketplace is increasingly diversifying and details actors' roles, institutional ends-means, and motivations to promote blended value or adopt impact investing.

The first SQ relate to "*how do Danish actors interact and interpret the impact investing marketplace?*. This study details how *policy actors* can deploy various initiatives and incentives to leverage financial investments or resources with blended value within a specific institutional context. Here, public actors can help foster new financial ventures, shape incentives, and create legitimacy behind investing for development. In their pursuit, public actors grapple with institutional complexity forming tensions between investment logic and impact logic, as public-private actors seek to balance development outcomes with institutional capital risk-return needs. Over time, it may become evident if public-private actors succeed in creating legitimacy around impact principles and blended value for developing outcomes, or rather the prevalence of investment logics or institutional ends-means (e.g., risk-return) remain embedded.

[50] *This study research had two aims relating to (i) take an institutional-level view to characterise the Danish impact investing marketplace and its actors. (ii) Extend an organisational-level view to investigate how project partners of the World Wildlife Fund – Denmark, Danish Red Cross and Access2innovation initiate impact investing-related strategising within the institutional context of Danish development strategy- and policy.*

Another contribution concerns the segmentation of the Danish supply-side from Type A actors (primarily asset owners and few managers) to Type B and C (primarily asset managers and few owners) following their interpretation, motives, and practice of impact investing. Findings show that Type A actors interpret impact investing through *value-alignment* and *impact-generating* strategies. For Type A actors aligning investment to values or generating real-world outcomes is core to achieving deep-level impact (where investments should directly trigger a positive outcome) and value creation. This segment of actors displays a *low prevalence* of investment logic, making them open to new considerations of how institutional *ends* of motives and values match *means* of investment management. Meanwhile, Type B and C actors adopt *impact-alignment strategies*. These actors align strategies to address broad-level impact yet remain embedded in the investment logic of financial considerations and value capture.

This study contributes to how segments of Danish financial actors (e.g., Type A) can prioritise impact logic favouring their institutional ends (values). In contrast, others (e.g., Type B and C) uphold the prevalence of investment logic as legitimate to their institutional means (risk-return). The findings identify more complex institutional patterns than recognized by literature and helps characterise the Danish marketplace by showing how various financial actors comprise different logic, motives, and practices when seeking to invest with impact. One implication of the findings suggests the need for definitional (re)-orientation, as financial actors' interpretations and adaption of impact investing are based on subjectivity with limited consensus on what *investing with impact* entails. Instead, segmenting actors according to value-alignment, impact-generating or impact-alignment could provide a typology for, how investment strategies and mechanisms can simulate real-world outcomes.

The second SQ was "*how do project partners 'make strategy' and navigate within an emerging marketplace?*". This study examined how three individual organisations respond to new opportunities and shifting trends to explore new practices, and combined with the interconnected forces that shape actors' strategy-making. This study is limited to project partners, who use different representations to impact investing-related strategies – from World Wildlife Fund - Denmark strategy-making on bankable nature-based solutions, Danish Red Cross commitment to innovative finance and Access2innovation promotion of initiatives within impact financing. This study entails how shifts in the institutional context enact an organisational response, motives, and

strategising process. Here project partners operate without clear organising templates and navigate via practice-driven learnings and interactions with other actors. This involves a continuous strategising process embedded in a complex mix of activities, interactions, and practice-driven learnings. Hence, this study details how three independent actors seek to explore activities outside core institutional means and tensions between logics to enforce new practices.

This study key contribution is helping guide practitioners in their endeavour to *invest with impact*. To some readers, this might seem like an idealist notion. However, this study, its project partners and records of interviews exemplify how Danish actors embrace these principles and take different pathways to achieve them. Overall, this study aims to inspire further research and practice on impact investing to expand understandings on interpretations, motives, and strategies that different actors bring to the marketplace.

If society is to 'move the needle' on societal challenges, there is an urgent need for better guidance to invest with both *hearts and minds*. Going forward, the notion of (re)orienting capital towards real-world outcomes must take centerstage in this debate.

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GLOSSARY

Concept / wording	Definitions used
Blended finance	"(…) *blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries*" (OECD, n.d.)
Blended value	Blended value is the framework in which actors, investments and resources are evaluated on their ability to generate financial, social and environmental value (Emerson, 2010)
Market conditions	Conditions refer to the interconnected factors of *diversity* (e.g., the diversity of actors and enabling environment), *coherence* (the degree of association between the components of actors, which causes them to coalesce into an interconnected group) and *coordination* (the level of interconnection made between actors in the marketplace) (Roundy, 2019)
Danida	Danida is the term used for Denmark's development cooperation and relation to the Ministry of Foreign Affairs in Denmark area of activity (UM, n.a.)
Developing economies	A country with a less developed industrial base and a low Human Development Index relative to other countries (IGI Global, n.d.)
Fiduciary duty	"*Fiduciary duty is an acceptance of responsibility to act in the best interests of another person or entity*" (Investopedia, 2020). This includes asset managers acting in the interest of their clients.
Impact investing marketplace	The study refers to the marketplace as outlining the ecosystem of public, financial, private, civil and intermediates, combined with the enabling environment components required to build a critical mass to sustain impact investing (OECD, 2015)
Impact investing-related strategies	The study uses impact investing as an umbrella to capture, e.g., projects partners use of terms and strategy-making to work with new sources of blended value capital. For example, the World Wildlife Fund – Denmarks ambitions to leverage investments towards bankable nature-based solutions.

Institutional arrangements	Arrangements that "*constitutive institutional rules defining legitimate activities, membership, and boundaries*" (Greenwood et al., 2011 p 336)
Institutional complexity	"*Organizations face institutional complexity whenever they confront incompatible prescriptions from multiple institutional logics*" (Greenwood et al., 2011 pp. 318)
Institutional ends-means	Actors refer to institutional ends (motivations, values, interests, and goals) and means (resources, practices, and knowledge) to shed light on the conditions under which that logic complements or competes (Yan et al., 2019)
Institutional logics	"*Institutional logics are overarching sets of principles that prescribe "how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed*" (Greenwood et al., 2011 pp. 318.)
Organising template	The well-institutionalized and existing scripts that prescribe actors practice, logic and behaviour when organizing (Smets et al., 2015)
Practice	Practices "(…) *refer to shared routines of behaviour, including traditions, norms and procedures for thinking, acting and using 'things', this last in the broadest sense*"(Whittington, 2006)
Practice-driven	"*(…) practice-driven institutional change that emerges from improvisations in everyday work consolidates within an organization, and radiates to the level of the organization's field.*" (Smets et al., 2011 pp. 1)
Practitioner	*Practitioners* related to all actors actively involved in strategy-making and execution, including multiple senior management levels, staff members and related key actors on strategy. Here practitioners interact through day-to-day planning, dialogue, and operations to 'navigate' the organisations in a particular direction (Whittington 2006).
Praxis	Praxis relates to specific activities, such as actions, discourse, documents or materials, used to formulate the strategy-making (Whittington 2006).
Prescribed activities,	Prescribed activities are intended actions to implement the strategic intentions and originate top-down to guide activities towards strategic goals.

Real-world out-comes	"(…) *real-world changes in terms of solving social challenges and/or mitigating ecological degradation*" (Bursh et al., 2021)
Strategising	The focus on the doing of strategy, relating to the myriad of day-to-day activities that make up strategy and strategising in practice (Whittington, 2017)
Sustainable investing	"*Sustainable finance* [or investing] *refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects*" (EU Commission, 2021).
The institutional context of Danish development	This study refers to the institutional context of Danish development as involving actors who intentionally target (or design) initiatives, activities or provide support to developing economies.
Value Capture	Refer to "*when [a] focal actor is able to appropriate a portion of the value created by the activity after accounting for the cost of resources that he/she mobilizes*" (Roundy et al., 2017)
Value Creation	Refers to "*when the aggregate utility of society's members increases after accounting for the opportunity cost of all the resources used in that activity*" (Roundy et al., 2017)
Visionary activities	Visionary activities that inform organisations strategy intentions; often originate from the senior management level to envision plans and ambitions for the future
Worldview	SSM uses the term worldview to "(…) *recognize peoples' diverging underlying assumptions about the world, i.e. their disparate worldviews. These different worldviews affect their understanding of the problematical situation and potential solutions.*" (Augustsson et al. 2019)

APPENDICES

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Appendix A.

Exclusion-based investing

Exclusion-based strategies (often referred to as ethical or negative screening) involve investments strategies that deliberately exclude sectors, companies' activities or products from the portfolio based on predefined values, ethics, or principles (GISA, 2021; Motas; 2020; Sherwood & Pollard, 2019). In general, financial actors define certain sets of exclusion benchmarks and simply remove companies that do not meet the specified criteria. Here Sherwood & Pollard (2019) argues that exclusion-based strategies are meant to structure a portfolio in alignment with client's ethical standpoints regardless of financial considerations. Here mandates can relate to aligning investments evolving from:

- The ethical standpoints, value or investment policy of the client. For example, a civil actor advocating for climate action might wish to exclude fossil fuel sectors, as these conflict with organisational principles.
- Regulatory restrictions or societal expectations to exclude certain controversial types of activities. For example, screening the portfolio for companies involved in war-related activities.
- Aligning investments with the belief systems or values of clients. For example, asset owners may want to exclude the tobacco industry based on moral standpoints or personal values.

The areas excluded are ultimately individual decisions often driven by certain values. This type of SI strategy can be further categorised into additional sub-areas, related to:

- **Values-aligned**: Screening out specific companies or sectors that do not align with moral or ethical principles (Motas, 2020).
- **Norms-aligned screening**: Screening companies against specific minimum business practice standards based on international norms, such as the UN Global Compact, UN Human Rights Declaration, and OECD guidelines (Swiss Sustainable Finance, 2017). Actors can either exclude companies not corresponding with norms or combine engagement-based strategies (as elaborated later) to engage with the company through dialogue or shareholder voting to change their behaviour (Matos, 2020).

Financial actors often have either total exclusion of specific sectors or integrate pre-defined material threshold for company activities with acceptable levels for exposure to controversial activities. For example, a threshold can relate to financial actors accepting that companies generate, e.g., 5% of their revenue from war-related activities or fossil fuels areas (Sherwoord & Pollard, 2019).

Screening the investment universe to exclude certain companies provides one of the most direct SI strategies, as it aligns capital with defined ESG aspects and core company materiality. One growth area of exclusion-based investments involves removing (or lowering thresholds) of high-intensity carbon emission activities, such as fossil fuels. Here, asset owners and managers have increased interest in divestment (i.e., the action selling off the investments) based on climate-related values or objectives (CFA, 2018). For example, fossil fuel exclusion has doubled from 52 billion USD in 2014 to 11 trillion USD in 2019 (Fossil Free, 2019). A negative exclusion of company activities is often applied at the investment or portfolio level and is usually implemented in combination with other SI strategies (Silvola & Landau, 2021).

Integration-based investing

Integration-based investing strategies (often referred to as ESG integration) involves incorporating non-financial ESG aspects with traditional financial considerations to inform investment decision-making. Integration-based investing involves a more proactive strategy than exclusion, as it does not require an ex-ante list of criteria. Instead, it refers to a more systematic and explicit incorporation of ESG factors to uncover related company risks or sector opportunities (Silvola & Landau, 2021; OECD, 2020b).

The strategy integrates non-financial data (or externalities) to mitigate investment risk and maximise financial performance, as it seeks to uncover how externalities such as climate change, carbon tax or labour conditions could affect the medium- or long-term performance of the portfolio (Sherwoord & Pollard, 2019; Krosinsky & Purdom, 2017)

Here the financial actor chooses the ESG-factors most material to any given company actor or sector (OECD, 2020b). While there is an increasing amount of sustainability data for financial actors, not all are relevant. Integration-based strategies first require

financial actors to understand the most material ESG factors that affect the investment and its influence on financial performance (Porter et al., 2019). The most material ESG factors inform the financial actor's investment analysis and determine which aspects have the greater potential to impact the value drivers of investments. Explicitly, ESG-factors related to company growth (e.g. future revenue or cash-flows), cost reductions (e.g. better operations efficiencies from improved water or waste management), and risk (e.g. companies' ability to identify and mitigate ESG risks to its activity) (Motas, 2020). In general, the ESG integration and identifying the materiality of companies are performed on a sector-by-sector basis, as aspects influencing the financial case will change across sectors. For example, ESG materiality related to energy sectors will be different from real estate or mining. On the one hand, integration-based can be qualitative when financial actors seek to uncover ESG-factors material to companies advantages and weaknesses. On the other hand, integration can be quantitative, as ESG-information is valued into the financial model. Often its a combination of qualitative and quantitative strategies to provide a holistic understanding of companies showcasing strong ESG performances (Matos, 2020; Swiss Sustainable Finance, 2017)

Within integration-based investing, financial actors use a broad range of strategies, such as:

- **Best-in-class** refers to preferring companies with the strongest (or potential to improve) their ESG performance than others in the sector. Here companies are analysed from ESG-factors material to their sector and rated relative to their peers (Silvola & Landau, 2021). This strategy can appear in various forms depending on the financial actors and their choices of ESG factors. Here some actors choose to focus on (i) best-in-sector, i.e., identifying best-performing companies in a given sector (ii) Best-in-universe, i.e., choosing the highest ESG ranked companies across the whole investment-universe and regardless of sectors (iii) Best-in-effort, i.e., focusing on companies making the best progress on ESG factors. (Swiss Sustainable Finance, 2017).

- **Sustainable thematic investing** refers to a strategy focused on specific market themes (e.g., renewable energy or sustainable agriculture) chosen due to their potential for sustainable long-term returns (Silvola & Landau,

2021). Thematic investing strategies identify an investment thesis based on material macro trends or long-term societal changes to certain sectors or companies, e.g., the transition to a low-carbon society or sectors with less exposure to climate change risks. Hereafter, financial actors invest according to this thematic framework. The strategy differs from, e.g., best-in-class strategies, as it focuses on specific themes, not companies ESG performance. Hence, thematic investing can also invest in companies with weak ESG performance if the company fits with the thematic theme (Swiss Sustainable Finance, 2017).

Sherwoord & Pollard (2019) argue that financial actors adopt thematic strategies based on two qualities, either (i) companies should *do the right thing* by contributing to macro trends, e.g., products or services should address climate change mitigation and adaptation. (ii) A company actor should *do things right* by actively mitigating ESG risks (e.g., reduce water consumption to tackle water scarcity) or move operational activities towards low-carbon technologies to align with macro trends (Silvola & Landau, 2021). Thematic- and impact investing share similar aspects, especially on using an investment thesis. However, where thematic financial actors use a thesis to develop an investment strategy or identify macro-trends. Impact investments (as explored in Chapter 2.) use a thesis logic as an 'investment lens' to drive their impact intent to directly target sectors or companies able to deliver on both impact and financial considerations.

Engagement-based investing

Engagement-based investing (often referred to as active ownership or stewardship) relates to the act of collaborating, interacting, and communicating with companies in the portfolio (Swiss Sustainable Finance, 2017).

Whereas exclusion-based screen out companies based on ESG aspects and withhold the right to be a shareholder, engagement-based strategies use their investment and shareholder position to interact with the company to improve certain ESG-factors (Sherwood & Pollard, 2019; Schoenmarker & Schrademade, 2019.). Here financial actors may communicate their organisational values or views on particular ESG aspects to encourage company-level change. Likewise, the engagement-based strategy allows

financial actors to engage in investment policy, react to controversies, or promote ESG-aspect (Silvola & Landau, 2021).

According to Sheerwoord & Pollard (2019), financial actors can engage companies on specific ESG-areas through direct meetings, letters to management, dialogue (through public- or close channels), or use shareholder rights to push and vote on proposals. Likewise, financial actors can engage individually or collaborate with other like-minded to promote change. For example, the Climate Action 100+ is a network of financial actors representing USD 47 trillion in AUM to systemically engage carbon-emission private actors to help them transition towards the Paris Agreement (Climate Action 100+, n.d.).

Appendix B.

Author	Definition(s)
Freireich & Fulton (2009)	"*Actively placing capital in businesses and funds that generate social and/or environmental good and at least return the nominal principal to the investor.*"
O'Donohoe et al. (2010)	"*Investments intended to create positive impact beyond financial return. Impact investments provide capital, expecting financial returns, to businesses (fund managers or companies) designed with the intent to generate positive social and/or environmental impact.*"
Nicholls (2010)	"*Social investment in practice is innovation in terms of the institutional logics and norms that govern the relationships between its investment logics (focused on the outcomes of placing capital) and in-* vestor rationalities (focused on the objectives of placing capital)."
AlphaMundi (2010)	"*Any profitable investment activity that purposefully generates measurable public benefits. Impact finance, therefore, spans multiple assets classes, economic sectors and geographical areas.*"
Grabenwater & Liechtenstein (2011)	"*Any profit-seeking investment activity that intentionally generates measurable benefits for society.*"

Brown & Swersky (2012)	"*The provision of finance to organizations with the explicit expectation of a social as well as a financial return.*"
Credit Suisse (2012)	"*Investments made with the primary intention of creating measurable social impact, with the potential for some financial upside. The investment may face some risk of a financial downside, but no deliberate aim of consuming capital as with a charitable donation.*"
Brest & Born (2013)	"*Actively placing capital in enterprises that generate social or environmental goods, services, or ancillary benefits such as creating good jobs, with expected financial returns from the highly concessionary to above market.*"
Saltuk, Bouri, Mudaliar & Pease (2013)	"*Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances.*"
SIIT (2014a)	"*Investment made into the business and social sector organizations directly or through funds, with the intention of generating measurable, beneficial social and environmental impact alongside a financial return.*"
OECD (2015)	"*A transaction between an investor and investee in a social area, targeting beneficiaries in need. Beneficiaries targeted should be at-risk populations, and the good provided should have a mix of public and private good characteristics. These transactions are often made using intermediaries. The investee in the transaction should, at least, inscribe a compulsory reporting clause of its social activity in the statutes, as well as provide a formal evaluation of social impact. In parallel, the investor should at least have a compulsory reporting clause for social impact investment and have return expectations above or equal to zero, but not above the market rate of return.*"
Daggers & Nicholls (2017)	"*Social Impact Investing as an umbrella term to refer to both Social Investment and Impact Investing. A general definition of SII is: investments in organisations that deliberately aim to create social or environmental value (and measure it), where the principal is repaid, possibly with a return.*"

Roundy et. al (2017)	"*Impact investors are those seeking some degree of both financial ROI and SROI if an investor seeks only financial returns or only the creation of social value, then he/she is not operating as an impact investor.*"
IFC 2019	Impact investing can be defined as "*investments made into companies or organizations with the intent to contribute to measurable positive social or environmental impact, alongside financial returns.*"
GIIN (2019)	"*Impact investments are investments made to generate positive, measurable social and environmental impact alongside a financial return*".Here impact investments can be made in all geographical areas, depending on financial actors' strategic goal; investments can return from below market to market rate.
Busch et al. (2021)	The definition related to "*impact investments as investments that focus on real-world changes in terms of solving social challenges and/or mitigating ecological degradation*".

Appendix C.

Author(s)	Results
Battilana & Dorado (2010)	The study examines microfinance actors and workings as hybrid organisations, who combine competing logics of banking and development.
Nicholls (2010)	The study uses a Weberian analytic lens to identify types of financial actors' rationalities. In comparison, taking an interpretive method and institutional theory to conceptualise impact investing.
Lehner & Nicolls (2014)	The study explores how governmental organisations in the UK (and elsewhere) create innovative schemes for social impact investing. At the same time, forming overcoming legitimacy and idiosyncratic hurdles.
Birkholz (2015)	The thesis studies how social entrepreneurs and impact investors strategies amidst institutional complexity.

Glänzel & Scheuerle (2016)	The study provides impediments to the emerging social impact investment field in Germany. At the same time, they suggest research areas explore impact investing as a potential conflict field between of logic of the market and civil actors.
Castellas et al. (2018)	The study explored the emergence of impact investment in Australia. Scholars utilise institutional theory to conclude that the nature of institutional complexity as investment logic overshadows impact logic.
Lehner et al. (2019)	The paper considers the concept of legitimacy to examine how actors in the impact investing influence discourse to overcome newness.
Mogapi et al. (2019)	The paper explores how investors in South Africa manage tensions between financial returns and social outcomes.
Agrawal & Hockerts (2019)	The study aims to understand the inter-organizational relations between, e.g., impact investors and investees. Using six case studies in India, the social mission plays an important moderating role, emphasis in the pre-investment stage increases chances of successful investments, and impact measurement increases the likelihood of alignment.
Hanngian & Casasnovas (2020)	The working paper explores the emergence of impact investing in the UK from 2000-2013 to map how the field moved from fragmentation to relative alignment.

Appendix D.

<table>
<tr><th colspan="2">Institutional-level I Sampling N = 82</th></tr>
<tr><td colspan="2">▪ Domiciled in Denmark
▪ Preferred participants relate to senior management or persons with knowledge or opinion on impact investing or involved in the institutional context of Danish development.
▪ Has expressed some form of interest (either publicly or via. snowball sampling) for impact investing or SI strategies.</td></tr>
<tr><th colspan="2">Supply-side & intermediates: I Sampling (n total of) = 44</th></tr>
<tr><td>▪ Able to be listed as supply-side actor according to marketplace framework (Chapter 2)
▪ Provides some form of financial service.
▪ Able to be listed as intermediate actor according to marketplace framework (Ibid).
▪ Provides some form of intermediate service – financial- or capacity-building</td><td>▪ Purposive sampling = desk-research of DK actors.
▪ Snowball sampling = referral by other actors.</td></tr>
<tr><th colspan="2">Public side I Sampling (n total of) = 7</th></tr>
<tr><td>▪ Able to be listed as public actor according to marketplace framework (Chapter 2)
▪ Provides some form of public-private service.</td><td>▪ Ibid.</td></tr>
<tr><th colspan="2">Civil side I Sampling (n total of) = 7</th></tr>
<tr><td>▪ Able to be listed as civil actor according to marketplace framework (Chapter 2)</td><td>Ibid.</td></tr>
<tr><th colspan="2">Demand-side I Sampling (n total of) = 24</th></tr>
<tr><td>▪ Able to be listed as demand-side marketplace framework (Ibid.)
▪ Provides market-based solutions or has a strategic focus on developing economies.</td><td>▪ Purposive sampling = Primary identified through Access2innovation network of members.
▪ Snowball sampling = referral by other actors.</td></tr>
</table>

Organisational-level I Sampling *N* = 38
▪ Project partners to the research project. ▪ Can be categorised as: senior management, program managers, private sector advisors or staff with exposure to and/or technical expertise, fundraising, measurement and evaluation
World Wildlife Fund – Denmark I Sampling (*n* total of) = 10
▪ **Purposive sampling** = Selecting staff members based on their representativeness of the research aims. ▪ **Snowball sampling** = (i) Referral by other staff members (ii) The researcher identifies relevant staff members through day-to-day activities.
Danish Red Cross I Sampling (*n* total of) = 28
Ibid.
Access2innovation I Sampling (*n* total of) = 0
▪ N/A ▪ Other types of qualitative data were used—primary data collected from interviews with members and secondary data.

Appendix E.

The organisation	Number of interviews
Akademikers Pension	
Arbejders Landsbank	
Atrium Capital Partners (now Curo Capital	
BankInvest	
Bestseller Foundation	
Bright Products AS	
C.F Nielsen	
CARE	

Caritas	
Carlsbergfondet	
Christian Augustinus Fabrikker A/S	
Danida	2
Danish Business Impact Network	
Dansk Flytningehjælp	
Deloitte	
Den Sociale Kapitalfond	2
Det Obelske Familiefond	
DMS Africa	
EA Energy	
EnviClean	
Erhvervsstyrelsen	2
Evershelter	
Færchfonden	
Farm Mountain	
Peter Engberg (Financier and expert)	
Folkekirkens Nødhjælp	
Formuepleje	
Friheden Invest A/S LLP	
Global Fokus	
Handelsbanken	
Heliac	
HiveOnline	
IFU	3
Impact Partners	
Industriens Fond	
Investeringsforeningen Maj Invest	
Jamii Pay	
Jentzen & Partners ApS	
JIA - Jacobsgaard investment advisory	
Kirk Kapital	
Lærernes Pension	
LinkAiders	

LittleDane	
Lululab	
Lundbechfonden	
M.I.L Invest ApS	
MASH Energy	
Mazanti-Andersen Advokatpartnerselskab	
Merkur Bank	
NIRAS	2
Nordea	
Nordic Development Corporation	
Nordic Impact Investing Funds	
Novo Holdings A/S	
Nykredit	
P+(DIP/JØP)	
Peder & Vitta Holding A/S	
Pensam A/S	
PensionDanmark	
PESITHO	
PKA	
Plastix A/S	
PP-Power	
PwC - PricewaterhouseCoopers	
Realrelief	
Red Barnet	
Ringkjøbing Landbobank Finans	
SDG Invest	
Semco Maritime	
Social Foodies	
Soilsense	
SolarSack	
SolarVenti	
The Circular Way Invest ApS	
UNICEF	
Velliv	

Appendix F

Researchers' subjectivity and relations

As an Industrial PhD, the researcher will inevitably be embedded in the social reality and research objective they study (Checkland, 1981). Through SSM and action research paradigms, the researcher plays a crucial role in creating and interpreting data. The researcher and project partners embody 'research instruments' and, consequently, the characteristics, relations and worldview between them will influence the outcomes. On this background, this study reflections on its subjectivity and relations to partners is an essential factor for the research claims made in this study (Schwartz-Shea & Yanow, 2012). Here the following seeks to reflect and describe the researcher role in this study and the project period – starting from the beginning.

Project idea – from idea to research project.

The following uses SSM four stages to structure the section, reflect and describe the relationships to project partners from the researchers' point of view.

Identifying a problem

As mentioned in Chapter 1, the research project is supported by three project partners: Access2innovation (a2i), World Wildlife Fund – Denmark (WWF-DK) and Danish Red Cross (DRC). With Aalborg University, Department of Planning being the academic anchoring. The research idea was originated and initially conceptualised at a2i. After finishing my master's degree at Aalborg University, I got the chance to start my professional career at a2i in the Fall of 2016. The initial research idea was conceptualised around a2i rationale and problem situation, as explored further in Chapter 6.

In 2016, Access2innovation had a long track record supporting Danish civil-, private actors and partnerships, developing innovative market-based solutions or business models for developing economies (primarily in East Africa). Despite initial successes, a review of the a2i project portfolio showed that partnerships and actors struggled to attract additional private investment to scale solutions beyond ideation or proof-of-concept.

Discussions at the organisational level helped to uncover a potential funding gap for early-stage Danish-based partnerships operating in developing economies. Together with the a2i team, we began exploring (i) why companies and partnerships struggled to attract investments within the institutional context of Danish development (ii) what type of investment strategies and mechanisms could match the characteristics of a2i's members.

Conceptualise the issue

During the exploratory search, I came across the concept of impact investing. The principles of impact investing strategies to finance blended value presented an initial match to the a2i problem and its members. Using impact investing strategies as inspiration and a2i's problem situation as a point of departure, the team planned interventions to:

- Work to conceptualise activities and initiatives able to leverage capital with impact investing-related features.
- Engage, and invite a2i's members, primarily civil actors, on shared learnings towards impact investing.

The activities initiated in Spring of 2017 laid the groundwork for a2i strategy to conceptualise initiatives meant to attract finance for members. Meanwhile, a2i and its members engaged in shared learning on how to finance projects within the institutional context.

Bringing partners together around a shared problem

As a2i activities progressed, the team shifted between (i) conceptualising finance initiatives, (ii) pilot-testing them in the 'real-world' and interacting with supply-side- or public actors at the institutional level (iii) adjusting initiatives based on learnings. As it progressed, the team built learnings and identified new problems.

Here the team recognised the need to better understand impact investing strategies, the emerging marketplace in Denmark and its relations to bridging the funding gap. To untangle the knowledge gap, a2i wrote a research proposal centred on impact investing in Denmark. From there, discussions began with WWF-DK and DRC to make a joint research effort. As civil actors, WWF and DRC looked to explore the role of

impact investing strategies and to what extent it could help expand their capacity, 'toolbox' and program strategies.

WWF and DRC ambitions to join the project were based on discussions with a2i to better understand the marketplace and kick-start their organisational aspirations to understand impact investing. Together with Access2innovation, WWF and DRC supported a shared research project to collaborate further.

Subjectivity & Relations to project partners

Subjectivity is often defined as how "*the research is influenced by the researcher's perspectives, values, social experiences, and viewpoint*" (Allen, 2017b). There are different ways to include a subjective perspective, allowing for an interpretive and flexible process. The researcher acknowledges their prejudice and potential bias as part of the research (Ibid.). From this, it is possible to identify the worldview from which the researcher has interpreted the data. Combined with reflecting on my position as a participant in creating data and my role as a researcher (Ibid.). The process begins by reflecting on the role and relations of each project partner.

As mentioned, I had a two-year work-related background in a2i before starting the research project. It was my first job after graduation; hence, it has influenced my work culture and experience of collaborating within the nexus of actors. Located in Aalborg, the a2i team comprises seven staff members, characterised by close working relations and cooperation. Therefore, the researcher has in-depth familiarity with a2i and has built close and trusted relations with other colleagues. The researcher is closely related to the team through weekly meetings, day-to-day discussions, external meetings, and strategy workshops. Before and during the project, the researcher has (co)developed and led initiatives related to this study's research aims.

Accordingly, the close relations give access to day-to-day observations and field notes. The close relations also influenced my decision not to conduct interviews at the organisational level with a2i, as I deemed it challenging to balance subjectivity and personal bias. Instead, the focus was given to field notes and observations, combined with interviews of a2i members (civil- and private actors), hosting workshops and engaging institutional level actors in the sphere of interest to the organisation. Upon reflection, having others – e.g., students or similar – to make interviews with a2i would have been

beneficial and counterbalanced my own bias. However, the vast amount of other data provides a subjective understanding of the organisation during the project. Hence, I attempt to create a 'distanced' to the organisation by examining a2i from other perspectives and interpreting how the organisation could navigate and pilot-test initiatives within an ever-changing institutional context and emerging marketplace. It is also from a2i that I started working and collaborating with WWF-DK and DRC before the research project. Hence, it is from a background in a2i that my initial relations and knowledge of WWF-DK and DRC were built.

At the beginning of the project in 2018, I continued working with a2i based in Aalborg. However, this created a geographical distance between the project and its two partners in Copenhagen, making it challenging to be a part of their day-to-day activities or sphere of attention. Despite regular travels, online meetings and interviews with WWF-DK and DRC staff, the distance did play an inevitable role, as it became difficult to interact, build relations and collect other data (e.g., field notes and observations) with Copenhagen partners. As impact investing strategies is a new area of interest, ensuring synergies and shared understandings of the field is important to further discussions on the subject or explore project partners evolving view of it. In the beginning, working with two new partners did provide the researcher with an objective perspective of the WWF-DK and DRC, as I was able to interview different staff members without being closely related. However, during the Spring of 2019, the research project moved to Copenhagen to be a closer part of DRC and WWF-DK.

Upon reflection, the transition from being an a2i team member to being an Industrial PhD student seeking to be an equal part of two new project partners presented challenges. Firstly, WWF-DK and DRC are large organisations, who showcased an interest in impact investing, yet had limited resources (time- and staff wise) allocated to it[51]. Consequently, it took significant time to build relations, coordinate and plan activities between the research project and project partners. For a2i, the project had a 'running start' by building on prior work and initiatives. For WWF-DK and DRC, activities had to be built from the bottom-up and restarted several times due to employee turnover changes. During the research period, the project alternated between being 'external',

[51] *During the project period, the project point-of-contact at WWF-DK and DRC was replaced due to employee turnover. This also influenced the relationships between the project and partners, as new relations had to be built.*

meaning interviewing WWF- and DRC staff or observing activities, to other times being internal and co-leading activities and strategies.

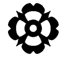
Overall, **at DRC**, the project was initially primarily external. Meaning, the project did regular interviews with DRC staff members on the research subject and co-facilitated an external management project of DRC private sector engagement strategy. This provided a more objective viewpoint of the organisation and its attempt to engage innovative finance. The role changed during the Spring of 2020 when the project became more involved in initiatives and attended weekly meetings with the DRC innovative finance team. Hence, the data obtained at DRC relates primarily to interviews conducted on an ongoing basis and with a wide staff range. Field notes and observations were made during meetings and workshops. **At WWF-DK,** the project was also initially primarily external. However, the project became more directly engaged in kick-starting initiatives at WWF-DK and supported co-developing and scoping impact-relating strategies. Here the project worked from the WWF-DK office and had more weekly interaction with staff when appropriate. This included discussions with senior management, workshops, drafting strategy proposals etc. The project's role has been **to provide inputs to discussions and notions to 'kick-start'** some internal processes at an organisational level. Hence, data obtained at WWF-DK relates to both interviews and workshops and large degrees of field notes and observations.

The COVID-19 situation during the Spring and Fall of 2020 did complicate the relations to partners. Although many activities continued through online meetings, it became difficult for the researcher to remain an integral part of three organisations. At the same time, it became difficult to continue building relations and networking with WWF-DK and DRC. Despite some activities being postponed, the study continued gathering data, conducting interviews, and contributing with inputs. Consequently, the project had to balance three different project partners, who took different pathways to impact investing (as documented in Chapter 6). This meant the project had to alternate between projects, activities and relations to ensure progress. Upon reflection, having to balance so many different interests and contribute knowledge have been challenging. The project would have been able to provide more inputs if it were more concentrated on fewer projects. However, the constellations of having three different project partners and being part of many different work environments and discussions have contributed to a unique research insight into how organisations view impact investing and challenges (or opportunities) for adopting strategies.

Appendix F.

	SDG Venture Fund structure	Supply-side criteria observed	Mismatch / Gaps
Investment / Impact thesis	*"Investments in Danish companies delivering high-impact solutions within cleantech, MedTech, agribusiness, water, sanitation and sustainable housing to SDG -needs and "green" growth in East African markets."*	As a minimum, the investment focus should include a Nordic-, European or African focus to ensure pipeline and country diversification.	**A2i rationale**: The Fund should have an entirely Danish-based portfolio as it is easier to manage business risks and evaluate projects. **Supply-side rationale**: The investment focus is too narrow and niche.
Fund Size	200 MDKK (as a first-time fund)	The fund is subscale for institutional capital that typically commits 100 - 300 DKK million or more to a single fund.	**A2i rationale**: Fits with the amount of capital needed compared to the size of the pipeline and projects needs. **Supply-side rationale**: (i) Actors can be constrained from holding more than a certain percent of the total fund. (ii) Smaller allocation does not fit within the profile of many large portfolios. *It is not worth the hassle.*

Stage	Early- and growth-stage investments (debt & equity).	The fund is ultra-high-risk compared to the geographically focused and investment stage. Debt is not attractive due to the lower upside, and it does not fit with the traditional template for venture funds.	**A2i rationale**: The stages reflect the development phase of its members, combined with their need for high-risk debt to secure the first sale. **Supply-side rationale:** The fund carries idiosyncratic risk. It does not fit into the rest of the portfolio. Debt provides unattractive risk-returns, as the venture should give min. 15-25% ROI.
Investment Period & fee	- Closed-end fund of 12 years. - Management fee = 3,5% annal	Standard venture funds are ten years with a typical fee of 2-2,5%	**A2i rationale**: Projects takes a longer time to mature and exit. The management fee is higher due to additional costs in developing economies (travel, consultants etc.). **Supply-side rationale:** Venture funds have standard templates suitable for portfolio setup. The fee structure is low to ensure commitment from the fund management team.
Management track-record	The team has a long track record of business development, network, and planning in developing economies.	Actors need track records of fund managers with successful investment/exits to showcase performance—combined managers ability to handle fund operations. Managers should have a longstanding venture background.	**A2i rationale**: Business and operational track-record offset the performance figure. There is an appetite for impact, and investors are willing to make a trade-off. **Supply-side rationale:** Actors have policies that prohibit them from investing in first-time funds. Similar impact investing is new, and many are unfamiliar with developing economies. Tends to prefer investing with established track records and low idiosyncratic risks.



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