

QUALIFIED QUANTIFICATION

A STUDY ON IMPACT INVESTING PROFESSIONALS
AND HOW THEY SIGNAL CREDIBILITY

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Qualified Quantification

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Abstract

Impact investing is a growing alternative investment form with significant potential to contribute to global sustainable development. The industry has been largely operating on the hypothesis that impact investments achieve a positive impact alongside financial returns. Because track record is widely lacking and impact may not be entirely financialised, professionals play a crucial role in signalling the credibility necessary to attract investment. Therefore, the purpose of this paper is to examine how impact investing professionals signal credibility despite the contextual challenges they face. This abductive qualitative study is based on semi-structured interviews and document analysis at a North European impact investing firm. It finds that impact investing professionals signal credibility by greatly financialising impact metrics. Due to inherent limitations to financialising devices, professionals signal further credibility by claiming their expertise. By conceptualising expertise claims and financialised impact metrics as credibility signals and the interlinked relationship between them, this study fundamentally alters the understanding of these concepts in previous literature. Furthermore, the hypothesis central to the field is found to significantly influence the work undertaken by professionals. The paper adds to the literature on economic calculation by establishing a case where the programmatic dimension of calculation appears to dominate the technological.

Keywords:

Impact investing, impact measurement, credibility, professional expertise, financialising

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1. Introduction

Impact investing is a growing type of alternative investment with significant potential to contribute to sustainable development (Agrawal & Hockerts, 2021; Bugg-Levine & Emerson, 2011). The industry’s investment professionals are tasked with a challenge akin to killing two birds with one stone as they pursue significant positive impact alongside financial returns (Caseau and Grolleau, 2020; Celse, Davies, and Grolleau, 2023; Global Impact Investing Network (GIIN), 2024). Their aspiration to create impact has the potential to address the substantial funding gap required to advance the United Nations Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement (OECD, 2019; Schmidt, 2023). The professionals’ methods of creating a positive impact in the market for investment also speak to recent proof of investors holding prosocial values (Riedl & Smeets, 2017). Still, to enable investment, professionals must attain sufficient credibility despite limited track record and inconclusive evidence on the relationship between impact and returns.

Despite the growing body of research on the relationship between impact and financial returns in fields such as accounting, finance, and sociology, it remains characterised as everything between synergy and conflict (Mogapi, Sutherland, & Wilson-Prangley, 2019). Similarly, the measurement of multidimensional and non-financial outcomes has yet to be standardised, increasing the risk of ‘impact-washing’ (Harji & Jackson, 2012), as a central promise for the industry comes down to the interpretation of impact investment professionals (Celse et al., 2023; Hand, Dithrich, Sunderji, & Nova, 2020). Since their work does not seem to be hindered by the lack of conclusive proof, the possibility of generating a positive impact alongside a competitive return (GIIN, 2024) is a key assumption to their work, henceforth referred to as the *impact hypothesis*. Importantly, it is the function of this hypothesis and its effect on the work undertaken by industry professionals which is the core of this paper, as opposed to assessing the accuracy of the proposition. The role impact investment professionals play is severely understudied despite their arguably significant contribution to growing the industry to more than USD 300 billion (Hand, Sunderji, & Pardo, 2023) regardless of public and academic discourse.

Given the limitations to achieving the same levels of measurability and comparability as traditional finance (Arjaliès & Bansal, 2018), professionals in impact investing encounter a credibility gap. To address this gap, this paper explores insights from accounting literature regarding the signalling of credibility through expertise (e.g., Power, 1997b; Tan, 2014). Since the professionals’ expertise concerns the conversion of impact to returns, the topic of financialising (e.g., Arjaliès and Bansal, 2018; Arjaliès, Laurel-Fois, and Mottis, 2023b; Guter-Sandu, 2023) has a similarly key role to be explored. Despite the latitude granted to impact investment professionals to operate under a working hypothesis, they find themselves operating within a market that demands the highest level of financialisation. Examining how they navigate this

pressure is a central focus of this paper, deemed crucial not only for understanding the professionals themselves but also for shedding light on the less-explored dynamics of their industry.

Based on this research problem, this paper examines the following research question:

How do impact investing professionals signal credibility despite limits to financialising and the largely unproven impact hypothesis?

To derive an appropriate answer to the research question, this qualitative study employs an abductive research methodology and a single-case design at a North European impact investing company. The literature on calculative expertise (Tan, 2014) and financialising (Arjaliès & Bansal, 2018; Arjaliès et al., 2023b) will be integrated with empirical evidence to facilitate a comprehensive understanding of how impact investing professionals cope with the challenges related to credibility in their field.

This study finds that impact investing professionals primarily attempt to attain credibility by portraying themselves as experts in their fields. Based on their conceptions of what impact is and how it is linked to returns, they have developed tools and processes for assessing and measuring impact. It is these ideas and devices that permeate the professionals' work and aid them in generating specialist knowledge to support their expertise claims. Simultaneously, professionals are seen to financialise their tools and metrics, e.g., impact scores and KPIs, to different degrees, yet not entirely. The analysis shows that professionals regularly choose the highest extent of financialising without sacrificing the meaningfulness of their devices. Strikingly, the study illustrates that both financialising and claims of expertise stem from the same foundation, the tools and devices utilised by professionals. Moreover, they serve a common purpose in signalling credibility to investors. It is seen that the impact hypothesis has far-reaching implications for professionals, significantly influencing how they develop and financialise their tools and metrics. Despite the reciprocal relationships identified, the calculative ideas associated with the hypothesis appear to dominate the deployed devices.

Abstracting and theorising these findings, this paper provides an alternative perspective on impact investing professionals considering their contextual challenges. The theoretical contributions are threefold. First, by integrating the literature streams on professional expertise (Tan, 2014) and financialising (Arjaliès & Bansal, 2018; Arjaliès et al., 2023b) based on their common foundation and purpose, the study significantly advances the understanding of how impact investing professionals signal credibility. Equivalently, it substantially alters the view of how and why professionals in sustainable investing claim their expertise and financialise devices. Additionally, it theorises the inextricable links between these two mechanisms. The study thereby specifically attends to the circumstance that impact may not be entirely financialised. As suggested by Arjaliès and Bansal (2018), the consequences of these limitations on

professionals have widely been neglected by previous research, and thus require more serious investigation. Second, the paper follows researchers' recent concerns about impact investments' considerable dependence on its working hypothesis (Celse et al., 2023). The findings in this respect contribute to the literature on economic calculation (Mennicken, Miller, & Samiolo, 2008; Miller, 1991; Power, 1997a) by establishing a case in which its programmatic dimension dominates the technological. The paper also hypothesises the underlying reasons for this circumstance. Lastly, the study fills an important gap in impact investing research by focusing the investigation on professionals. Despite their crucial role in developing and growing the field and their potential to contribute significantly to sustainable development, they have been often omitted by previous research.

Beyond that, this paper follows the call by Bebbington and Unerman (2018) for novel accounting theoretical frameworks to advance research contributing to sustainable development. The proposed framework in this paper integrates expertise and financialising literature while incorporating the effects of the two abovementioned contextual challenges on the work of impact investing professionals. The findings and theoretical implications from this may be transferred to professionals in similar sustainable investing markets that impose the same or similar challenges regarding credibility and limits to financialising. Furthermore, the framework may be promising for future researchers aiming to investigate the phenomenon of 'impact-washing' as it offers a novel and comprehensive perspective on professionals' incentives and risks in this respect.

The remainder of this study is structured as follows. The following chapter reviews and critically discusses previous research on impact investing, financialising, and professional expertise to derive key concepts used in the analysis and discussion. After outlining its methodological foundations, the paper proceeds with an in-depth analysis of the empirical material gathered for the purpose of this study. The discussion chapter integrates strands of previous literature and empirical evidence to propose a comprehensive framework explaining mechanisms behind impact investing professionals' behaviour in their context. The final chapter provides concluding remarks to this paper, addresses limitations, and provides suggestions for future accounting research towards sustainable development.

2. Theoretical Background

This chapter reviews and problematises the literature on impact investing, integration of sustainability issues into financial decision-making, financialising, expertise, and adjacent topics with relevance to the research question presented above. section 2.1 introduces the broader domain of impact investment and precedes a conceptualisation of financialising and a discussion of relevant papers in section 2.2. Lastly, section 2.3 introduces the lens of expertise, calculative ideas and devices, forming the bedrock of subsequent analysis. This theoretical foundation aims to enable a satisfying answer to the research question of how impact investing professionals attempt to construct credibility.

2.1. Impact Investing

Impact investing is a growing type of alternative investment attracting increasing interest from mainstream finance, academic research, higher educational institutions, and governments around the world (Agrawal & Hockerts, 2021; Höchstädter & Scheck, 2015; Mogapi et al., 2019). The field is considered to have significant potential to contribute to sustainable environmental and societal development (Bugg-Levine & Emerson, 2011). Although the term ‘impact investing’ was first formally used at a conference organised by the Rockefeller Foundation in 2007 (Bugg-Levine & Emerson, 2011; Höchstädter & Scheck, 2015), definitional clarity about ‘impact investing’ and the nature of ‘impact’ was lacking for many years (Mendell & Barbosa, 2013).

Today, a considerable body of literature uses the definition of the Global Impact Investing Network (GIIN), presenting ‘impact investments’ as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return” (GIIN, 2024). This definition emphasises intentionality, additionality, and measurability (Meng, Newth, & Woods, 2022). Impact investors may, depending on their strategic goals, aim for below-market, market, or above-market returns, and pursue investments in debt and equity instruments across different geographies (GIIN, 2024; Höchstädter & Scheck, 2015; Mogapi et al., 2019). Common to all impact investing funds is the intention to induce significant social or environmental impact (Arjaliès, Chollet, Crifo, & Mottis, 2023a; GIIN, 2024). According to a GIIN survey, the combined global impact assets under management reached USD 317 billion at the end of 2022, having grown at a compound rate of approximately 18% since 2017 (Hand et al., 2023).

Despite the widely accepted definition of ‘impact investing’ given by the GIIN (2024), the remaining conceptual ambiguity regarding the meaning of ‘impact’ and what it entails has critical implications for the field. The lack of a common understanding has accelerated the divergence of methods practitioners use to assess and measure impact in their attempts to operationalise the notion of impact investing (Guter-Sandu, 2023). As a result, Celse et al. (2023, p. 9) find that the “impact dimension of many impact

investments constitutes a credence good that cannot be verified by the investor at a reasonable cost.” Arjaliès et al. (2023a, p. 2) back this argument and problematise the investors’ difficulties in assessing impact, “particularly when the causal relationships between the investment and the results are hard to identify”. Importantly, the sector operates based on the largely unproven hypotheses that impact investments lead to social or environmental impact, and that this impact can be achieved ‘alongside’ financial returns (see GIIN, 2024; Mogapi et al., 2019).

The lack of comprehensibility for investors (Sandberg, Juravle, Hedesström, & Hamilton, 2009) has several important consequences. First, the conceptual ambiguity around ‘impact’ endangers the credibility of the whole industry through the threat of ‘impact-washing’ (Harji & Jackson, 2012, p. 41). Hence, the reliance of the impact investing sector on a porous concept makes it more difficult for the field to gain legitimacy (Short, Moss, & Lumpkin, 2009). Second, expertise and knowledge in assessing and measuring impact are possessed by a small group of actors (Clark, Emerson, & Thornley, 2012b; Höchstädter & Scheck, 2015). These knowledgeable experts hold the responsibility to attain definitional clarity and attract a broader audience to impact investments (Clark et al., 2012b) despite their missing track record (Clark, Emerson, & Thornley, 2012a). This is supported by Celse et al. (2023, p. 11), who report based on Grolleau and Caswell’s (2006) study on environmental labelling that investors frequently depend on “credible intermediaries and signals” to evaluate the achievement of impact-related promises.

Besides diverging understandings of what ‘impact’ is, the impact investing market has often been accused of unclear boundaries to adjacent fields and concepts, e.g., environmental, social and governance (ESG) investing, socially responsible investing (SRI), and corporate social responsibility (CSR) (e.g., Höchstädter and Scheck, 2015). Höchstädter and Scheck (2015) identify different terminological approaches that, according to Harji and Jackson (2012, p. 7), cause the term ‘impact investing’ to be used “interchangeably (and sometimes incorrectly) with related terms”. Fundamentally, impact investing can be differentiated from philanthropy through the goal to generate financial returns, and from traditional investments through the explicit intention to achieve a social or environmental impact (GIIN, 2024).

In addition, scholars and practitioners have developed a clearer delimitation of impact investing vis-à-vis SRI and CSR based on investors’ intentions and different degrees of emphasis on achieving a social or environmental impact (Arjaliès et al., 2023a). This points out the ‘intentionality’ characteristic of the GIIN’s (2024) definition of impact investing (Alijani & Karyotis, 2019). As a sign of their intentions to contribute to sustainable development, impact investors focus on a firm’s “business model as a source of social or environmental value as well as economic value” (Barman, 2015, p. 16). Furthermore, it separates impact from SRI investors who focus on negative screening, respectively minimising businesses’ negative effects instead of “creating positive social and environmental benefits” (O’Donohoe, Leijonhufvud, & Saltuk, 2010,

p. 5). Barman (2015) attests to SRI and other previous types of ethically oriented investing a predominantly financial perspective in which businesses' performance on sustainability criteria are viewed as influencing factors on economic value only. Thereby, the positive impact dimension in SRI remains "underdeveloped" (Guter-Sandu, 2023, p. 209). These conceptual differences manifest themselves in additional operational differences between impact investing and firms in adjacent sectors. Typically, impact investors design 'theories of change' (Arjaliès et al., 2023a) and concrete tools for assessing and measuring investments' impact (Guter-Sandu, 2023). These lead impact investors to take a more active approach to both impact measurement and impact management at the investee level as compared to SRI investors (Agrawal & Hockerts, 2021; Mogapi et al., 2019).

As discussed above, the ambiguity around 'impact' causes practitioners' and researchers' diverging views on the relation of impact investing to other forms of alternative investments, such as SRI, CSR and ESG investing. This paper argues in line with many researchers (e.g., Agrawal and Hockerts, 2021; Alijani and Karyotis, 2019; Barman, 2015; Höchstädter and Scheck, 2015) and practitioners' intentions that impact investing qualifies as a separate type of investment that is promising for further research. Nonetheless, impact investing has been shown to have commonalities with other types of ethical investment (Barman, 2015), among others embodied by the notion of impact investing as a further development of SRI (Guter-Sandu, 2023). Notably, professionals specialised in any of these alternative investment forms must deal with the implications of unproven investment hypotheses at the level of the industry, e.g., if impact or ESG stand in connection to financial returns (Celse et al., 2023). Furthermore, they are, as argued below, faced with influences and pressure from traditional financial market actors to prove the reasonability of their efforts by financialising metrics (Chiapello, 2015). Although there is limited literature on the integration of impact into investment decision-making using in-depth case studies, this paper draws upon articles covering related fields, such as the incorporation of ESG and sustainability issues in financial decisions. Consequently, the following chapters understand 'sustainable investing' as an umbrella term used broadly to capture the shared characteristics of these sustainability-focused forms of alternative investments. While drawing on such comparisons, this study fills an important gap by enhancing the understanding of impact investing professionals and their methods of attaining credibility despite the emergent challenges of their field.

2.2. Financialising and financial numbers in sustainable investing

This section discusses the extant literature attending to the role of financialising and financial numbers in sustainable investing, including impact investing and closely related fields. Starting with a brief discussion of the background to the performative act of 'financialising', this chapter derives the concept of financial numbers and subsequently discusses relevant articles addressing how they are integrated into decision-making in sustainable investment contexts. Given the limitations to financialising impact, it

concludes by problematising the previous literature’s insufficient focus on the importance of impact investment professionals and how they attempt to gain credibility in other ways.

2.2.1. Financialising and financial numbers

The term ‘financialisation’ originates from the observed growth of the financial sector and the subsequently increased importance of financial market actors, which causes financialised ideas and techniques to grant legitimacy to non-financialised spaces (Arjaliès & Bansal, 2018; Chiapello, 2015, 2017). Because of the financial sector’s increasing importance, financial market actors now have more power than ever to influence the choices made by individuals in both financial and non-financial markets (Chiapello, 2017). This power results according to Chiapello (2015, 2017) from the legitimacy of financial market actors that has been established through their expertise, knowledge, techniques and frameworks. By transferring these components, market actors intend to grant legitimacy to less financial or non-financial spaces. Chiapello (2015, p. 15) describes this as a process of “colonisation” where “financialised metrics and reasonings” are ingrained in previously less or non-financialised fields and activities. The noticeability of financialisation in various settings of contemporary society has induced various interrelated perspectives that are difficult to disentangle (Guter-Sandu, 2023; van der Zwan, 2014). This difficulty in analysing and conceptualising financialisation gives rise to alternative interpretations. Based on this concern, this paper follows the understanding of ‘financialising’ as a transformative act at the level of the individual and ‘financial numbers’ as its outcome, in line with social science research.

The notion of ‘financialising’ used in social sciences and here in the context of integrating sustainability issues into financial decision-making has been developed based on these observations. Generally, financialising describes a form of valuation in which individuals evaluate objects or practices based on their financial or market value (Arjaliès et al., 2023b; Chiapello, 2015). In this calculative process, individuals transform non-financial into financial issues (Chiapello, 2017), where the non-financial issues, as inputs to the process, can be quantified or non-quantified. Based on this view where quantifying objects represents a precondition to financialising them (Barman, 2015; Chiapello, 2015), it is deemed that individuals can quantify and financialise an object at the same time.

In the context of sustainable investing, financialising relates to the process in which investment professionals estimate a market value or price for sustainability-related problems or benefits (Arjaliès et al., 2023b). For instance, an individual attributing a market value, or price, to a sustainability issue such as carbon emissions, both quantifies and financialises the issue by measuring and transforming its value into monetary terms, i.e. units of a currency (Arjaliès & Bansal, 2018). According to Barman (2015) and Chiapello (2015), this transformative process performed by individuals is necessary for sustainability issues to be considered of value. This approach, embedded in the

valuation literature, attends specifically to the performative elements of financialising as a process, or task (Chiapello, 2017), and the individuals, or “valuation workers” (Ruff, Nappert, & Graham, 2023, p. 296), who are performing it.

The main outcomes of the ‘financialising’ process are calculated ‘financial numbers’ that help individuals and organisations determine the market value of their assets (Arjaliès & Bansal, 2018). Financial numbers comprise figures expressed in monetary terms or as financial ratios, but also other measures employing financialised reasoning, such as risk and volatility metrics (Arjaliès & Bansal, 2018; Chiapello, 2015). Often based on conventions from mathematical finance and financial economics (Arjaliès & Bansal, 2018), financial numbers have pervaded all types of organisations, including actors in the impact investing market (Chiapello, 2017). Moreover, a considerable body of accounting literature has attended to the role accounting numbers play in persuasion, accountability and building legitimacy (e.g., Ahrens and Chapman, 2002; Barman, Hall, and Millo, 2021; Goretzki, Mack, Messner, and Weber, 2018). Accounting numbers clearly correspond to the above definition of financial numbers since their “outcomes” (a specific number of units) and “indicators” (e.g., profit) (Goretzki et al., 2018, p. 498) depict the result of quantifying and financialising an object. In line with previous literature (Arjaliès & Bansal, 2018), this study claims that financial numbers, including accounting numbers, represent a form of calculative devices (Tan, 2014) as defined in section 2.3.

2.2.2. Financial numbers in sustainable investment decisions

The social sciences literature on financialising proposes several reasons for individuals to engage in this transformative process, mostly surrounding the attractiveness of financial numbers to financial market actors. From a mostly internal perspective, financial numbers assist in the process of commensuration, defined by Espeland and Stevens (1998, p. 314) as “the transformation of different qualities into a common metric”. It assumes that “widely disparate or even idiosyncratic values can be expressed in standardized ways and that these expressions do not alter meanings relevant to decisions” (Espeland & Stevens, 1998, p. 324). Commensuration of financial and sustainability issues into a single metric by financialising the latter may lead to standardised and accelerated decision-making and thereby increase organisational efficiency (Arjaliès & Bansal, 2018; Espeland & Stevens, 1998). From a rather external perspective, financial figures are preferred because their apparent scientific foundation appeals to traditional financial market actors (Porter, 2020; Power, 2004). They exude confidence and authority and are attractive as they seem objective, thereby neutral, and independent of the person who calculated them (Chua, 1996; Porter, 2020; Power, 2004). Thereby, metrics suggest higher degrees of transparency and accountability than subjective accounts and narratives (Celse et al., 2023). Contrastingly, Chua (1996) finds that outcomes of inscriptions with no or lesser degrees of quantification, thus less or non-financialised (Chiapello, 2015), may be disregarded as they are considered opinion and therefore subjective and speculative.

In line with the perceived benefits of financial numbers and the examples of financialising provided above, most research on sustainability integration into financial decision-making has found that sustainability criteria are usually financialised by professionals (see Arjaliès and Bansal, 2018; Leins, 2020; Sciarrelli, Cosimato, Landi, and Iandolo, 2021; Tan, 2014; Zaccone and Pedrini, 2020). Impact investing does not escape from this regularity. In fact, researchers find that impact investing professionals explicitly use devices and practices from mainstream finance and accounting to deploy calculative tools to measure social and environmental value creation (Barman, 2015; Celse et al., 2023; Guter-Sandu, 2023; Meng et al., 2022). Thereby, they implement financialised logic in impact measurement tools (see Chiapello, 2015) and may reflect sustainability criteria as financial numbers (e.g., Arjaliès and Bansal, 2018). Here, it is important to emphasise that both the integration of impact into financial decision-making and financialising impact are driven by impact investing professionals (Barman, 2015). This is in line with Chiapello's (2017, p. 3) view that actors in initially less or non-financialised markets have an incentive to 'colonise' the new space by transferring valuation techniques that lead to financialising and eventually financial numbers (see also Arjaliès and Bansal, 2018).

Moreover, the purpose of the professionals' financialising behaviour requires closer attention. As Celse et al. (2023) suggest, it may be the working hypotheses that make impact investing professionals eagerly engage in measuring with the intention to prove that their proposed investments yield both significant impact and competitive returns. Following Chiapello's (2017) reasoning, impact investing professionals may use financialised techniques and numbers because they have their own appeal that can exist somewhat autonomously from the finance professionals who originally developed them. Combined with the reasoning on the legitimacy of financial numbers above, it may thus be argued that impact investing professionals fall back on financial numbers and tools because of their credibility and appeal to investors that may compensate for the absent track record to gradually prove the hypothesis (see Arjaliès, 2010). Notwithstanding the above, Barman (2015) argues that impact investment professionals have widely refrained from transforming businesses' environmental and social value into purely financial value. Thus, the notion arises that impact investing professionals do not attempt to build all required credibility through financialising and financial numbers. This is generally in line with findings in other contexts that suggest that financial numbers alone do not suffice to establish legitimacy (see Goretzki et al., 2018). Instead, it points to the important role of the professional using financial numbers.

2.2.3. Limitations to financialising sustainability issues

Financialising sustainability criteria has been widely criticised by scholars as inadequate due to unsuitable attempts to make these issues comparable with traditional financial calculation techniques and models. The transformation of sustainability issues into monetary terms, considered a form of financialising, is especially perceived

as problematic. According to Chiapello (2015), this equates to an attempt at commensuration (see Espeland and Stevens, 1998) as it inevitably regards financial and sustainability issues as equivalent and allows for trade-offs between them. Unlike other ways of displaying sustainability issues, financialising makes them appear commensurable with financial issues despite their inherent differences (Chiapello, 2015; Espeland & Stevens, 1998). The initial differentiation between sustainability and financial issues may be lost while financialising the former, making them indistinguishable in the financialised form (Arjaliès & Bansal, 2018). Following the reasoning of Arjaliès and Bansal (2018), this may cause the phenomena underlying sustainability factors to become less relevant since the criteria cease to reflect the natural and social environment. In other words, sustainability issues may lose their meaning when being financialised (see Hehenberger and Andreoli, 2024), leading to a dominance of the financialised forms of valuation and one-dimensionality (Chiapello, 2015) instead of an appropriate comparison of sustainability and financial issues.

Arguing even further, Chua (1996) concludes that the subordination of sustainability issues can entail decision-making harming stakeholders and the natural world, which equals what the integration of sustainability issues tries to prevent. In this way, financialising sustainability factors may have this kind of detrimental effect on underlying phenomena, i.e., society and the environment (Arjaliès & Bansal, 2018). Moreover, an actual negative impact would inevitably endanger the promise of impact investing professionals to deliver significant positive impact alongside financial returns (Arjaliès et al., 2023b; Celse et al., 2023). From this perspective, it can be inferred that commensuration and financialising inherently incomparable dimensions may lead to a false sense of comparability. Put more drastically by Chiapello (2015, p. 25), “one of the most entrenched fantasies is the idea that social impact could be reduced to a single indicator that would enable investors to choose quite simply between a range of proposals.” Concludingly, financialising can only be unproblematic when the ensuing comparison of sustainability and financial issues in financial terms is based on inherently comparable issues. Otherwise, the professionals risk their metrics losing their meaning.

In addition to the problematic implications of financialised numbers, financialising as a process is morally and technically questionable, particularly when individuals intend to put a price tag on the priceless, i.e., the natural environment (Fourcade, 2011). On the one hand, several researchers argue that there are moral limitations to expressing nature and life in financial terms (see Arjaliès and Bansal, 2018; Chelli and Gendron, 2013; Chiapello, 2015). Since sustainability issues typically concern a multitude of stakeholders who value environmental and social issues and benefits differently, developing a valuation approach that recognises all voices appropriately is far from trivial (Ruff et al., 2023). This often results in low-power stakeholders being neglected, and with them the societal and environmental issues they represent (Costa & Pesci, 2016; Hall, Millo, & Barman, 2015; Ruff et al., 2023). On the other hand, researchers widely acknowledge the limited calculability of sustainability

issues within a traditional profit orientation (Lowe et al., 2020) and more generally the limits to numerical and financial representations in evaluation (see Chelli and Gendron, 2013; Lowe et al., 2020; Morrison and Lowe, 2021). For example, critical topics to sustainable development such as urban development and biodiversity loss stay difficult to value financially (see Arjaliès et al., 2023b). As only information that is commensurable with numbers may be integrated into investment decisions, many studies found that these limitations cause sustainability issues to be ignored or discarded (Arjaliès & Bansal, 2018; Arjaliès et al., 2023b). Hence, only those ESG or impact-relevant issues that can be calculated and expressed in financial terms are considered (Arjaliès & Bansal, 2018), which is in turn insufficient to capture all environmentally and socially relevant aspects of impact.

Despite the prevalence of financial numbers across diverse settings of social life (Vollmer, Mennicken, & Preda, 2009) and types of organisations (Chiapello, 2015), several studies have highlighted alternatives to financialising to integrate sustainability issues into investment decisions. For example, Arjaliès and Bansal (2018) show that by using visuals, equity managers in their study eschewed financialising sustainability issues. This decision led to helpful dissonance between distinct sustainability and financial issues and consideration of all sustainability-relevant information. In a more recent paper, Arjaliès et al. (2023b) analyse the conception of the PRI reporting framework at the level of the standard setters. They identify that using “non-prescriptive evaluative criteria that avoided financialization” (Arjaliès et al., 2023b, p. 561) helps represent sustainability issues in decision-making without financialising them. Lastly, the work of Morrison and Lowe (2021) makes the case for storytelling mechanisms that can help enhance the understanding of companies’ social and environmental impacts despite potential accusations of subjectivity and speculation (see Chua, 1986). Overall, these findings stand in stark contrast to the view that financialising sustainability criteria is unavoidable (Chelli & Gendron, 2013) because financial market actors are only interested in sustainability issues if they evidently affect financial returns (Kaplan, 2020). Instead, the existence of several alternative techniques of accounting for sustainability issues entails that there is an active decision involved in whether and to which degree to financialise (Arjaliès et al., 2023b). Effectively, this decision lies at the level of the individuals responsible for the decision-making process.

2.2.4. Implications for impact investing professionals

Since professionals are key actors in financialising and are given the choice of whether and to what extent to do so, their judgment plays a significant role in the integration of impact into decision-making (Barman, 2015; Hehenberger, Mair, & Metz, 2019). However, following Chiapello’s (2015) reasoning, the professionals’ choice is somewhat limited as impact may not be meaningfully captured in a single metric. Celse et al. (2023) add that excessive measurement may lead professionals to denature impact numbers and choose self-serving metrics, risking detachment from reality and potentially negative impact. Hence, it has been indicated that impact investing

professionals may not financialise impact completely (Barman, 2015) but need to alleviate the degree of financialising in comparison to traditional financial markets to maintain meaningfulness (see Hehenberger and Andreoli, 2024). As financialising metrics may grant credibility (Chiapello, 2017) and impact investing professionals cannot financialise to the same extent as professionals in traditional financial markets, they face the need to achieve credibility by different means.

Considering the investment professionals' chief concern to build credibility, the studies on financialising and sustainability integration discussed above do not sufficiently elaborate on alternative ways of achieving this. Although they examine questions crucial to enhancing the understanding of financialising sustainability or impact, they partly neglect the important context of the field professionals operate in. Put briefly by Arjaliès et al. (2023a, p. 2), "In impact assessment, context matters." Fundamentally, professionals in impact investing face the same challenges as those in traditional financial markets as they need to achieve credibility to attract capital to their asset class. Nevertheless, impact investing has a limited track record, which may hinder investors' confidence in this relatively novel investment type (Celse et al., 2023). As indicated by Celse et al. (2023), the whole market rests upon the yet largely unproven hypothesis that impact leads to financial returns. Consequently, professionals may need to resort to other ways to convince investors and obtain a leap of faith until a potential financial proof of the hypothesis.

Given these circumstances, the studies discussed appropriately attend to the process of financialising metrics, as this may grant some credibility to the professionals and the metrics themselves (see Chiapello, 2017; Porter, 2020). However, as shown in the discussion above, reliance on financial numbers in impact investing remains insufficient. Through financialising, impact investing professionals cannot achieve the same degree of credibility as in traditional financial markets where financialising metrics appears comparably unproblematic regarding commensuration and meaningfulness (Chiapello, 2015; Espeland & Stevens, 1998). Hence, this paper argues that significantly enhancing the understanding of impact investment professionals' role in their context requires addressing their main challenges. Specifically, this study proposes that in addition to financialising impact metrics, impact investing professionals seek to portray themselves as experts in their new field to attain credibility. Therefore, it is necessary to conceptually add the notion of professional expertise (e.g., Tan, 2014) to financial numbers. To the best of the researchers' knowledge, none of the studies in sustainable investing and financialising research have taken an explicitly integrated approach to understanding the interplay between financial numbers and expertise in establishing credibility.

2.3. Developing expertise through calculative ideas and devices

This chapter presents the theoretical lens used for analysing how impact investing professionals develop claims of expertise. It is largely informed by Tan's (2014) paper discussing how corporate governance analysts build expertise through calculative ideas and devices and thereby act as theorising agents. The underlying streams of literature are outlined and combined to derive the theoretical foundations of professional expertise.

2.3.1. Calculative ideas and devices

The concepts of calculative ideas and calculative devices originate from the research on economic calculation in sociology (Hopwood & Miller, 1994; Mennicken et al., 2008) and play an important role in the analysis in this paper. Social and cultural settings often imply particular forms of calculating that help characterise them (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980; Hopwood, 1983; Hopwood & Miller, 1994). Accounting has been well established as a form of economic calculation (e.g., Burchell et al., 1980; Hopwood, 1983). This paper argues that impact assessment and measurement practices represent a novel type of economic calculation within accounting that deserves further investigation. They are embedded in and significant to the work of impact investing professionals.

Fundamentally, accounting as a form of economic calculation is characterised and constituted by two elements: a programmatic and a technological dimension (Mennicken et al., 2008; Miller, 1991; Power, 1997a). Based on Rose and Miller (1992, see also 2010), the programmatic dimension describes “the ideas and concepts which shape the mission of the practice” (Power, 1997a, p. 6). Calculative ideas, founded on the programmatic dimension (Power, 1997a), were demarked by Tan (2014, p. 365) in the context of corporate governance as “those discourses and ideals that shape, articulate, and give significance” to the integration of corporate governance factors into investment decisions performed by analysts. The analysis in this paper adapts these notions to the field of impact investing, claiming that calculative ideas represent impact investing professionals' notions and objectives that shape the way they assess and measure impact.

The technological dimension of accounting as an economic calculation has been argued to dominate the programmatic component due to technological advances and an ensuing focus of research (Mennicken et al., 2008). According to Power (1997a, p. 6) (see also Rose and Miller, 1992, 2010), the technological element describes the “more or less concrete tasks and routines which make up the world of practitioners”. By combining literature streams on economic calculation and governmentality, this concept has been brought in relation to the notion of calculative devices and inscriptions (Tan, 2014), which are widely used in accounting research. Calculative devices can be viewed as objects and artefacts which help actors make decisions (Arjaliès & Bansal, 2018). They are not limited to financial numbers but also encompass graphs, figures,

texts, and processes (Arjaliès & Bansal, 2018). By translating settings into calculative devices, actors seek to achieve visibility, measurability, comparability, and calculability (Tan, 2014). In his study on corporate governance integration into decision-making, Tan (2014, p. 365) defines calculative devices as “material tools and mechanisms that seek to make corporate governance integration operational”. This paper follows the idea that devices comprise both mechanisms and objects and understands them as the processes and tools that impact investing professionals deploy to assess and measure impact.

Inherent in the dimensions of accounting as economic calculation is the understanding that both dimensions, translated into calculative ideas and devices, are interdependent, each conditioning and coinciding with the other. Applying this approach, this paper will argue that the most prominent calculative ideas for impact investing professionals are *what impact is and how it is related to financial returns*, which have direct consequences on how impact investing professionals assess and measure impact. Based on this, the professionals’ techniques for assessing and measuring impact as well as setting impact metrics and their accompanying tools, graphs, and materials form the prevalent sets of calculative devices. Ultimately, the analysis puts these concepts in the context of expertise and shows how calculative ideas and devices contribute to constructing it.

2.3.2. Professional expertise

Impact investing professionals are crucial to impact assessment and measurement practices as the acceptance of the practices relies upon the professionals’ legitimated expertise (see Tan, 2014). There is agreement in the sociology of accounting literature that expertise is developed gradually and jointly by the actors claiming to be experts and their audience (e.g., Gendron, Cooper, and Townley, 2007; Power, 1997a). Miller and Rose (1990, p. 8) portray expertise from an internal perspective as an amalgamation and point out the importance of “professionals, truth claims and technical procedures” in its construction. Important here is the understanding that the professionals’ “rise of expertise is linked to a transformation in the rationalities and technologies[...]” (Rose & Miller, 2010, p. 285). Connecting these ideas with the realm of economic calculation, Tan (2014) argues that calculative expertise can be viewed as an outcome of transforming calculative ideas and calculative devices. Given the potential variety of calculative ideas and devices, this may include the deployment and refinement of established tools, mechanisms, ideals, and rationales by professionals (Arjaliès & Bansal, 2018; Barman et al., 2021; Tan, 2014). Thereupon, supposed experts need to realise their expertise claims in concert with their audience to gain legitimacy (Tan, 2014; see also Gendron et al., 2007; Power, 1992).

This approach to how expertise is developed allows for conceptually dividing the process of reiteration into two stages: a first internal stage where professionals build expert knowledge and prepare expertise claims, and a second external stage during which professionals communicate their knowledge and expertise claims to

their audience in hope of receiving acceptance and thereby legitimising their expert status. Due to its research design, this paper focuses on the internal perspective to constructing expertise, omitting the investigation of whether impact investing professionals’ audience legitimises their expertise claims. This view on expertise thus stresses professionals’ specialist knowledge, experience, and intention to portray themselves as experts.

While professionals develop expertise through transforming calculative devices, they may act as theorists, or theorising agents (Tan, 2014). Theorisation relates to the “self-conscious development and specification of abstract categories and the formulation of patterned relationships such as chains of cause and effect” (Strang & Meyer, 1993, p. 492). It leads to the formulation of theories in forms ranging from simple concepts to complex models (Strang & Meyer, 1993). In line with Czarniawska and Joerges (1996), theorists may interpret and normatively develop abstract ideas and transform them into concrete and tangible structures. As the carriers of calculative ideas (Scott, 2003), experts can be considered theorising agents. To develop expert knowledge, they need to theorise by interpreting calculative ideas and deploying calculative devices to make their way of calculating operational (Tan, 2014). This paper thus argues that impact investing professionals act as theorising agents who aim to specify the abstract idea of *what impact is* and hypothesise a causal relation about *how it is related to financial returns* by converting it into concrete calculative devices.

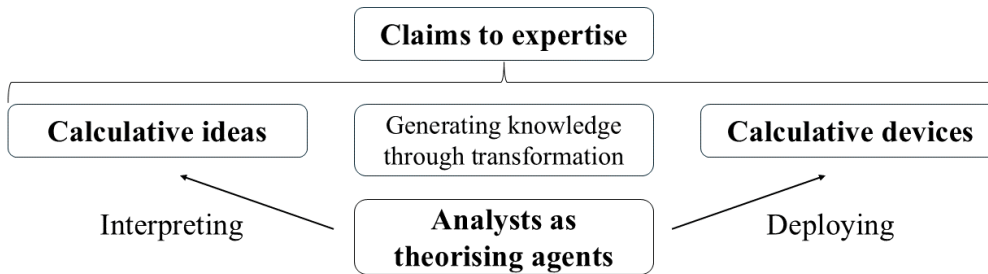


Figure 1: Theoretical background on developing expertise claims

The concepts and streams of literature presented above constitute a rich approach that will be used in this paper to analyse how impact investing professionals develop expertise claims. Figure 1 above summarises the theoretical foundation for developing expertise claims. Combined with the literature on financialising, it provides a structure to the empirical analysis conducted in chapter 4. The investigation of how impact investing professionals develop expertise claims will begin by establishing the calculative ideas carried by the professionals. The most prominent sets of calculative devices will then be identified and put in relation to their underlying calculative ideas. The analysis will further address the mechanisms through which the professionals form their expertise claims. Lastly, the role of financialising and financial numbers will be highlighted.

3. Methodology

This chapter elaborates on the research methodology this paper is based on. It comprises explanations of the choices made by the researchers regarding the strategy and design of the study as well as a brief description of the research setting. The subsequent section discusses in detail the data collection and analysis process.

3.1. Research approach

3.1.1. Research strategy and design

The methodology of this paper is based on a qualitative approach (Ahrens & Chapman, 2006) in line with the interpretive research paradigm in social sciences (Chua, 1986). According to Chua (1986, p. 613), this paradigm puts strong emphasis on the role of “language, interpretation, and understanding in social science”. In line with this view, this study perceives social reality as emergent, subjectively formed, and objectified through interactions between individuals. Hence, the findings of this study primarily stem from subjective interpretation and attribution of meaning to empirical observations. Implicit in this approach is the premise that reality is not inherently objective but rather constructed collectively through shared interpretation. This qualitative research method, grounded in the interpretive paradigm, is considered suitable for enhancing comprehension of the dynamics surrounding impact assessment and measurement practices conducted by impact investing professionals.

This study is characterised by its inherent abductive research process corresponding to its qualitative and interpretive underpinnings (Dubois & Gadde, 2002; Ong, 2023). The process started with a broad research problem and question based on the observed tension between impact and returns. Specifically, the differences in the ambiguity of their definitions, measurability and potential conflicts of interest became apparent during initial meetings with the case company’s executive management. With further data collection, analysis and backlinks to the literature, the research focus was shifted towards the professionals’ expertise to examine their significant role in the calculative practices performed in impact investing. By selecting and discussing Tan’s (2014) framework as a major constituent of the theoretical background of this paper, it became apparent that critical mechanisms surrounding the process and choice of financialising impact metrics could not be fully captured. As a result, the eventual research focus was set on the interplay between building expertise claims and financialising metrics. The research question was adapted accordingly. Notably, while this process involved repeated changes to the focus of the study, the epistemological perspective remained constant.

Obtaining insights from an in-depth case analysis facilitates abstracting and generalising this study’s results. Setting the focus of the study on a single case allows for an in-depth analysis of the mechanisms underlying the development of impact investing

professionals' expertise claims and the ensuing financialising of impact metrics. This format is especially useful to clarify the boundaries between the studied phenomenon and its circumstances and to challenge extant theory (Yin, 2014). Single case studies are also appropriate when phenomena have previously been widely inaccessible for social inquiry. Furthermore, they enable the researchers to tell the story of the interplay between the investigated phenomena and their environment (Dyer & Wilkins, 1991). The research interest in impact investing and access facilitated the selection of the case company.

Data collection was conducted on the individual level as described in a following subsection. The choice of the level of analysis at the individual, or micro level (Neuman, 2014, p. 71) followed this condition. In fact, the theoretical background of this paper, primarily built upon Tan's (2014) concept of expertise and Arjaliès and Bansal (2018) work on financialised numbers, does not necessitate a focus on the micro level. Therefore, as outlined in chapter 2, this paper adapts the inherent theoretical concepts to processes performed and choices made at the individual level. Furthermore, it needs to be acknowledged that many of the mechanisms laid out in this paper involve individuals' communication and coordination in groups. For example, the analysis shows that professionals' calculative ideas are subject to alignment processes in discussions. The notion remains that individuals are the most important actors to study as they form the discussion groups and construct and shape both their individual and group realities. Analysing individuals rather than groups was also considered necessary to capture potentially diverging views of professionals.

3.1.2. Research setting

This case study investigates the construction of expertise through financialised calculative ideas and devices at an impact investing company, subsequently referred to as Impact Co., or the company. Impact Co. has been operating for less than 10 years and employs approximately 50 professionals in North and Central Europe as well as the United States. Besides corporate functions, the team is divided into an investment and an impact team with a proportion in the number of employees of about 3:1 at the time of the interviews. The professionals in the investment team are further divided into two main strategic focuses, private equity and venture capital, both of which were accessed for the purpose of this study. The company's investment strategies thus cover mid-sized and early-stage companies contributing to sustainable development.

Impact Co. exhibits a pronounced impact orientation, and thus intends to create significant, measurable, positive impact towards the achievement of the United Nations Sustainable Development Goals (SDGs) while generating attractive financial returns. It is a signatory to numerous standards and principles on sustainable finance and impact investing, such as the Principles for Responsible Investment (PRIs) as well as the Operating Principles on Impact Management. The company is a recognised member of industry networks and has been honoured with awards for its sustainable investing practices. Impact Co.'s commitments to sustainable development are re-

flected in impact assessment and management practices which reflect components of frameworks such as Science Based Targets, the Task Force on Climate-Related Financial Disclosures, the Impact Management Project, and SDG Impact. As a result, each of Impact Co.'s investments must actively contribute to one or more of the SDGs. Its pioneering role in the nascent field of impact investing makes Impact Co. an enticing subject for studying the construction of expertise by its professionals.

3.2. Data collection and analysis

Interviews represent the primary source of empirical data for this study and are complemented by the analysis of reports and other documents. Interviews as a data collection method conform with the ideas of interpretive social science as they enable the researchers to obtain individuals' undisturbed perspectives and thereby understand phenomena and underlying mechanisms in the research setting (Neuman, 2014). For this study, 14 interviews with impact investing professionals were conducted from November 2023 to April 2024 with an average length of 53 minutes. Given the small size of the company, comprising around 50 employees across all functions at the time of the interviews, the interviews covered a large share of the individuals deemed relevant for the study. Especially the novelty of the impact investing field and the case company's young age give rise to the self-understanding of the professionals as an elite group that is difficult to access for research purposes (Harvey, 2011). This became clear, among other things, as time limits caused some persons to decline interviews or reduce the originally scheduled time. Please refer to Table 1 in the Appendix for a complete list of interviews.

The interview selection process combined purposive, snowball, and sequential sampling (Bell, Bryman, & Harley, 2019; Neuman, 2014). Initially, a list of all employees considered "especially informative" (Neuman, 2014, p. 274) to this study's research topic was compiled. A significant criterion upfront was that all participants needed to be directly or indirectly involved in impact assessment and measurement practices. As the close interconnection of impact considerations with the investment process became clear during initial talks with the company's executive management, the researchers singled out professionals from the company's investment and impact teams as particularly relevant to the study. Firstly, key individuals in more senior positions in the impact and investing team were interviewed with the aim of obtaining a broader overview and identifying specific tensions and challenges for the professionals. More detailed insights and depth could then be gained through interviewing a combination of both junior and senior colleagues from the investment team via chain referrals. In the later stages of the interview process, the researchers intentionally asked for individuals considered suitable and significant to gain potentially diverging perspectives from other parts of the organisation and enhance the reliability of the insights. As a result of this combined approach to interview selection, the interviewees span offices in two countries as well as several investment strategies, teams, and levels of seniority.

Interviews were recorded whenever interviewees consented. While audio recording was used for physical meetings, digital meetings were captured using video recording. Digital meetings were preferred in case of geographical limitations and if the perceived flexibility of online meeting tools helped meet the participants' time constraints. All recorded interviews were later transcribed to enable detailed analysis of the interviewees' statements and perspectives. Without exception, interviews were conducted in English given the familiarity of interviewees with working in an internationalised environment. Individuals have been anonymised, and portfolio companies showcasing important instances emphasised by the professionals were given pseudonyms based on their industry classification. The respondents' anonymity was communicated upfront to assure confidentiality, constitute trust, and enable obtaining the interviewees' honest and personal views. The latter aspect was especially important to emphasise in order to capture the nuances in professionals' calculative ideas, which are an important constituent of the impact investing field and therefore subject to collective alignment processes.

In each interview, one researcher was assigned the role of the main interviewer who led the conversation based on a semi-structured interview guide and open-ended questions (Bell et al., 2019). The respective second interviewer could thereby focus on taking notes and asking follow-up questions to clarify and further pursue statements considered insightful. The questions were somewhat adapted to the team the interviewee belonged to and the level of seniority while staying within the topics considered most relevant to the research problem. The components, or topics, were used as guidance throughout each conversation, yet the interviewees were encouraged to talk freely and present and emphasise the topics most interesting from their perspectives. In each case, the interview started with a personal introduction, an explanation of applicable data protection rules, and receiving consent to the participation in the study. Following the topics considered crucial for the study, the interviewees were given time to reflect on any unresolved tensions and encouraged to ask any questions on their end.

A first version of the semi-structured interview guide (Bell et al., 2019) was prepared for the first interviews and further developed along the interview process as the research topic and question gained greater clarity. Consistent with the idea that questions need to be refined to represent the current state of the research process (Myers, 2009), the researchers discussed key conclusions and implications on the guide after each interview. In line with Edmondson and McManus (2007), this points to the iterative nature of the data collection and analysis process, where interesting insights are pursued further in later interviews and narrow the research focus. In return, new findings can help analyse statements in previous interviews. Ultimately, the interview guide structure was somewhat adapted to the practitioners' counterparts to the theoretical framework's components. This decision in turn resulted from insights and new perspectives gained in earlier interviews. Towards the end of the interviewing process, working hypotheses were carefully sense-checked at the end of interviews

to examine if preliminary findings were perceived plausible by the professionals (see 2023b). Please refer to Table 2 and Table 3 in the Appendix for an early and a later general version of the interview guide.

The interview transcripts were coded in NVivo 14 by one researcher each, where “codes identify a feature of the data [...] that appears interesting to the analyst” (Braun & Clarke, 2006, p. 88). The coding process was moreover guided by questions proposed by Bell et al. (2019, pp. 530–531), asking “Of what general category is this data an instance?” and importantly contrasting “What are people doing?” with “What do people say they are doing?” Both researchers discussed codes and recurring themes for each interview thoroughly to ensure consistency in judgment and interpretation, i.e., inter-coder reliability (Neuman, 2014, p. 375). As the data was further analysed, codes and connected quotes were collated into themes based on similarities, differences, and repetitions (Braun & Clarke, 2006). Repeatedly moving back and forth between empirical material and literature, theoretical themes were developed iteratively by matching empirical codes and themes with theoretical concepts. As new categories and themes were developed out of the empirical material, the paper’s theoretical foundations and ensuing concepts were shifted and adapted abductively (see Dubois and Gadde, 2002). Similarly, the research question was adjusted in accordance with the combination of empirical material and theoretical background. The eventual theoretical themes were derived by combining the empirical material with key concepts of the financialising and expertise literature. These included how and why professionals transform calculative ideas and devices and to what extent financialising can be inferred from their calculative practices. Inevitably, it follows that the researchers took an active role in the data analysis process (Braun & Clarke, 2006), which corresponds to an interpretive approach (Chua, 1986) and the views of social constructionism (Berger & Luckmann, 1991).

Document analysis formed a complementary data analysis method that was mainly used to obtain a broader picture of the underlying dynamics of the research setting, professionals’ impact assessment and measurement techniques, and codified viewpoints. In total, two impact reports and a statement on the company’s investing principles on impact were accessed. They provided context to the individuals’ ideas and allowed for triangulating this study’s findings (Myers, 2009). Further publicly available industry frameworks and reports, such as the Operating Principles for Impact Management, were accessed to better comprehend their connections to the professionals’ thinking and impact assessment and measurement practices. Referring to internal and external documents also enabled asking in-depth follow-up questions in interviews and ensuring the accuracy of the interviewees’ statements as well as the credibility of this study.

4. Empirical Analysis

This chapter provides a rich account and detailed analysis of the ways in which professionals at Impact Co. attempt to gain credibility by developing expertise claims through calculative ideas and devices and financialising the latter. The analysis begins by identifying calculative ideas and devices in the impact investing practice at Impact Co., which is followed by the analysis of how they aid in constructing expertise claims. The last section thematises the second proposed way Impact Co.’s professionals intend to attain credibility, namely financialising impact into metrics.

4.1. Constructing expertise claims through calculative ideas and devices

4.1.1. Calculative ideas

What impact is and how it can be assessed and measured

The most prominent calculative idea among the professionals at Impact Co. is the shared notion of what impact is and how it can be assessed and measured as it shapes their mission of proving their investments’ significant positive impact (Celse et al., 2023; Power, 1997a). Instead of stating a universal definition of the term ‘impact’, professionals from both teams often explain impact using schematic examples or previous cases:

If there are 10 people being vaccinated as opposed to 5, twice the impact.

This short excerpt reveals that the professional’s thinking around impact stands in direct connection with how it can be calculated. Consequently, a vaccination is identified as potentially impactful and the number of individuals receiving a vaccination can be considered an important indicator of the size of the potential impact of a healthcare company. In line with the GIIN (2024) definition, the impact is thus perceived as quantifiable and scalable.

Additionally, the investment and impact professionals elaborate on their ways of thinking about impact using specific dimensions:

If you look at opticians, for example: Is there a problem in the world? Not in Europe at least. People get glasses. It’s affordable, it’s available, government subsidies, what have you. But of course, if you have poor eyesight, that’s a very important solution and there are [...] three others: stick it out, which is not really a solution, or get contacts, or have surgery. Contacts, surgery, glasses – that’s it. So, this is a relevant product, it’s critical to actually solve the problem that you have.

Further schematic examples given by professionals from the investment team include photovoltaic cells and dental care. They emphasise that in all cases, there first needs to be an important problem to solve that affects individuals, society, or the environment. Second, this problem needs to be critical for the case to be impactful, i.e., there needs to be a significant funding gap for solutions to the problem in question. Thus, photovoltaic cells and dental care may not be considered impactful in the North

European market due to lacking criticality. Such examples have been broadly discussed at Impact Co. and therefore arguably represent collective rather than individual views.

Even when asked about their personal views on impact, professionals' ideas often refer to components of the common methodology to impact assessment used at Impact Co. as well as industry frameworks. Beyond the description of impact as "making a binary change to someone's life and kind of value" by one professional, their motives for working in impact investing are a common denominator and appear to influence their thinking about impact as "something good" or "something real":

I wanted to do something, you know, something real.

First of all, I think everyone wants to do good in life, right?

The conception of impact as "something good" and "something real" implies it is positive and tangible and allows for the conclusion that impact can be measured. Although professionals refer to their individual values, their views on impact still abide by the perception of quantifiability put forth in the common methodology. This can be viewed as an outcome of the aligning influence that Impact Co.'s methodology and industry frameworks have on the thinking of professionals in the company and the overall field. Maintaining the appeal to individuals' values despite continuous standardisation may also be interpreted as part of the attraction that pulls individuals into the industry.

Moreover, most interviewees stress that impact is commercially or financially coded:

Impact for me is doing good, but it's also very much a commercial thing. So, if you think about the investing, you think about what is low in supply and is or will be high in demand for a long period of time. And you think about the impact and the things that we do in the UN sustainability goals and you think about the nature of human people. [...] So, it's not sort of separate from commercial thinking in my perspective. And I think that perspective is sort of lost sometimes.

While explicitly referring to their own view, the professional quoted above combines supply-demand gaps and the UN SDGs, both of which are components of the common approach used at Impact Co., with personal takes. Another interviewee reflects on their path into impact investing:

But then I was also very curious about kind of how could you do it? How could you invest in things that actually are really critical to the world and that need funding?

Here, too, impact is closely tied to and hard to detach from financial issues. Their thinking clearly revolves around funding gaps for critical topics, which are an explicit part of Impact Co.'s impact assessment methodology. Many professionals acknowledge that they have largely taken over Impact Co.'s view after joining the firm due to its depth, methodological rigour and external validity achieved through using industry frameworks and receiving accreditations. Consequently, the views expressed by

the professionals show little to no misalignment with the standpoint of the overall applied methodology. Moreover, the conception of impact carried by professionals unexceptionally implies the professionals' desire and the necessity of quantifying and, partly, financialising it due to its inherent logic. This corresponds to Celse et al. (2023) view that impact professionals alike standardisation bodies aim at measuring impact and putting it in relation to returns to endorse the hypotheses the industry is built upon.

What impact is in contrast to other forms of investing

Establishing a clear distinction between impact and ESG as well as other forms of investing represents an important mechanism to solidify the common calculative idea of what impact is and a differentiation rationale in external communication. To define the relatively novel term impact, almost every interviewed professional, despite undirected questions, intends to establish strong contrasts to the more established term ESG:

The way we look at it and the way I always looked at it is: ESG is kind of hygiene factors, it's how you work, it's not what you do. Smith & Wesson, even a manufacturer of biological weapons, could for all things, all purposes have very sound ESG structures. They manage their emissions, they do have good health and safety, [...] what have you. But they're still doing something that is not necessarily high impact. It's just negative instead of positive. So, whereas impact is what you do, so products and services that you actually do.

This discourse on differentiating between what a company does and how it does it confirms Barman (2015, p. 16) finding that impact investors assess a company's "business model as a source of social or environmental value", i.e. impact. Another professional separates impact and ESG based on companies' external and internal spheres, further supporting this argument.

While ESG is unexceptionally considered a hygiene factor, a must-criterion for investing in a company, impact is perceived as something separate, additional, and value-creating. In numerous examples, the professionals portray exclusive focus on ESG investing as outdated because of its propensity for risk avoidance, superficial investment decisions, and lacking contribution to environmental and societal betterment. It seems reasonable to conclude that there are strong incentives for professionals to draw these comparisons to more established fields to make them stand out as different and new. Without this claim, impact investing could easily be classified as just another form of ESG investing. Consequently, employing impact-related calculative devices may be pointless under the better-established concept of ESG as professionals would not be able to claim expertise as easily as in a new field. Therefore, the term 'impact' as a branding for the whole industry depicts an active choice. Although the professionals at Impact Co. did arguably not affect this selection made by the Rockefeller Foundation back in 2007, they largely espouse a calculative idea that contributes to their intended uniqueness and specialist, respectively expert status.

As a result of the perceived confusion of impact and ESG by investors and the public, some senior professionals frame their endeavour of increasing the awareness of impact investing as an “educational battle”. This can be seen as their intention to communicate their differentness, and ultimately their specialist and expert status, to a broader audience:

Here, there is still this, again, terribly uninformed approach sometimes to analysing and discussing ESG and sustainability investment as if it were one homogenous group of investments. And I’m like “Well, let’s discuss the contents.”

In the interviews and reports accessed, Impact Co. and its professionals differentiate themselves as well from traditional private equity, mere long-term investing, and thematic investing in impactful markets without team additionality, i.e., competencies and experiences that the professionals at Impact Co. contribute to value creation at their investments. Hence, they clearly intend to communicate their knowledge and experience in selecting and managing impactful assets. Concludingly, this approach to impact appears to be carefully chosen to allow for both operationalising the underlying calculative idea using technical processes and tools and portraying themselves as impact specialists in external communication.

How impact is linked to financial returns

Based on the view of *what impact is*, Impact Co.’s professionals have developed a second dominant calculative idea about *how impact is linked to financial returns*, shaping their mission of causally connecting investments’ measured impact to their financial returns (Celse et al., 2023; Power, 1997a). Fundamentally, the concepts of economic externalities and neglected information in traditional investment decisions are used to rationalise the financial viability of impact investments, as also seen by Alijani and Karyotis (2019):

I think when you, in traditional PE, invest without looking at impact, and ESG necessarily, you’re basically neglecting part of the information that determines the value of the investment that you’re making. [...] And those challenges will change the pricing of externalities.

The missing information rationale put forth shows that the only reason to consider impact information is that the impact investing professionals believe that it will yield higher returns. Hence, by pricing in externalities and previously neglected, yet impact-relevant information, Impact Co.’s professionals establish a conceptual link between impact and returns. Here, the importance of establishing and maintaining two calculative ideas, namely *what impact is* and *how it is linked to financial returns*, becomes apparent. Without a shared understanding of *what impact is* and its notable feature of being quantifiable, it seems illusory to argue for a conceptual link between impact and returns. Relying on diverging views of impact by professionals regarding it as completely non-quantifiable would inhibit the usefulness of the concept for Impact Co.’s operations. Therefore, relatively standardised thinking has necessarily been

developed among the professionals at Impact Co. and taken a fundamental role in their everyday work.

To complement the calculative idea's conceptual nature with more concrete evidence and examples, investment professionals focus on investment cases where they can develop arguments based on pure logical and economic reasoning. One professional explains how they try to showcase the *link between impact and returns*:

It's just sort of create the [investment] thesis and [...] thinking and then try to verify that by constructing logical arguments and finding evidence for backing those things.

Often, professionals instance companies where the fact that impact and returns go hand in hand is obvious to observers, such as a company producing energy efficiency devices. In the quotes below, increasing the energy efficiency is argued to increase both the company's impact, i.e., its customers' emissions savings, and the product's commercial attractiveness, i.e. sales revenues:

Every additional device that they sell is both increasing the CO₂ savings and sales and that's a super straightforward clear-cut case.

So how, why, what research would undermine the fact that if [the company] improves the energy efficiency of their devices with 20%, how could you prove in some way that that's bad? How could that not be impactful? How could that not be positive for your product positioning? For strengthening the appeal of the product? How is it possible?

Overall, the interviewees appear to intentionally avoid discussing business models whose potential impact may not be directly related to an improved financial situation. In line with this observation, Impact Co.'s professionals refer to the hypothesised link between impact and returns as a filter criterion during the process of sourcing investments instead of a universally applicable relation. The result is a selection process where all companies that Impact Co. considers investing in need to exhibit a direct and convincing link between impact and returns. This notion of an ideal investment case in the sourcing process is depicted in the quotes below across seniority levels in the investment team.

We want to invest in things and do positive impact while also having good returns. It means that we're only investing in companies where those things actually go hand in hand.

So, ideally, you want those [impact and returns] to go hand in hand, right? Because you want to try to maximize profit. But by doing that, you should also increase the impact.

Importantly, it can be argued that professionals would only need to filter for assets that are impactful, without looking at their commercial attractiveness, if they entirely believed in the hypothesis that impact and returns *always* go hand in hand. This means that establishing the *link between impact and returns* for any investment case at hand is a significant component of the professionals' work during the sourcing process. After parallel deal assessments from the impact and commercial side, the

professionals tie both analyses together and establish where *impact and returns go hand in hand* in collective discussions. As a result of filtering out deals where they do not go hand in hand, the professionals argue that a positive correlation between impact and returns will be found for all the companies in their portfolio.

Furthermore, limiting the scope of the calculative idea that *impact is linked to returns* establishes a backward link to the calculative idea of *what impact is* as it gives impact an inherently financial character. It follows that both ideas cannot be fully separated and are interdependent. In line with the ideas from other professionals above, investments would not be considered impactful if their sales of products and services, leading to financial success, entail a decrease in impact:

It wouldn't really be an impactful company if the products and services that they do would decrease their impact. And then it's not a great investment case for us.

Vice-versa, several professionals clearly rule out philanthropy as any positive impact would not be met by financial returns:

It's not philanthropy. [...] We never do deals [...] where we don't have an expectation of reaching our return targets.

I mean, you can do good without having a financial return, for sure. [...] But then I don't think we should be investing in it. [...] That's a different purpose.

Conditioning the *idea of impact* on the *idea of its link to financial returns* entails that the former is considerably influenced by the latter. Imposing this second calculative idea effectively delineates impact from philanthropy as impact must always make economic sense. The presence of two interlinked calculative ideas, both shaping the mission of the impact investing professionals' practice (Power, 1997a), points towards the integration of measuring impact and putting it in connection to financial returns in the professionals' work and views. Since both steps are necessary for professionals to support their hypothesis (Celse et al., 2023), it is not only the feature of quantifiability assigned to impact that plays a major role in the professionals' approach to impact assessment and measurement. Furthermore, the dominance of financial considerations embedded in the *link between impact and returns* facilitates a financialised view of *what impact is*.

Constructing the calculative ideas of *impact* and its *link to returns* allows Impact Co.'s professionals to develop expertise claims, differentiate themselves from competing investors and solidify their *raison d'être*. The professionals portray identifying and investing in impactful companies as the purpose of their work:

Our job is about finding impactful business models and accelerating those businesses and making sure that they have the strength, they need to grow.

Impact investing is selecting only the business models that either actively contribute to a positive, call it solution to a challenge or preventing something bad to happen.

Particularly, the limited scope of the idea that impact and returns do *not always* go hand in hand, the cases where they correlate need to be identified. Most professionals seem to agree that selecting impactful business models requires certain knowledge, skills, experience, and guidance in the form of tools and a methodology, all being constituents of claims of professional expertise (Tan, 2014). As they directly affect the professionals' assessment and selection practices, establishing the calculative ideas of what impact is and *how impact is linked to returns* is fundamental to developing expertise claims.

Overall, it became apparent that the professionals intend to signal their claimed expert status connected to the knowledge and experience from identifying impactful companies. The professional quoted below expresses confidence that the impact layer, including the approach, processes, and structures developed around impact, would yield Impact Co. higher returns and make other market participants pay closer attention to their mission:

We both identify better and we manage in a better way assets than we would without the impact layer. And we think that in itself will create more returns and also send a signal to the wider market that this can be done for other impact funds as well as [lead to] more money for us.

This reinforces the perception that professionals at Impact Co. intend to signal the prospective success in achieving significant positive impact alongside financial returns, symbolising their mission embodied by calculative ideas, to investors and other market participants. The quote above, investor relations statements and the general level of perceived confidence during the interviews furthermore suggest the professionals' intention to portray themselves as experts in the field of impact investing.

4.1.2. Calculative devices

Impact dimensions, scorecard, and heatmaps

Professionals at Impact Co. have developed several calculative devices based on the calculative ideas of *what impact is* and *how it is linked to financial returns*. Above all, the professionals' thinking about *what impact is* and how it can be measured is summarised and formalised in an impact scorecard which aims to quantify five impact dimensions. The dimensions, as simplified and depicted in Figure 2 below, are used as standardised criteria that draw on industry standards as well as expert and academic sources. They aim to represent both impact and commercial, respectively financial, considerations, reinforcing the financial characteristics of impact. A professional involved in the early phases of the creation of Impact Co.'s approach explains how the professionals use external sources to arrive at this methodology:

To begin with, we've taken a lot of kind of inspiration or started from several different industry best practices like the Principles for Responsible Investing. [...] We try to kind of pick the best practices [...] used in the industry to create [...] our own kind of amalgamation of all those different approaches.

Another professional emphasises that their work does not end right there but includes making industry frameworks deployable to arrive at the tools depicted in Figure 2 and use them for assessing and managing companies’ impact.

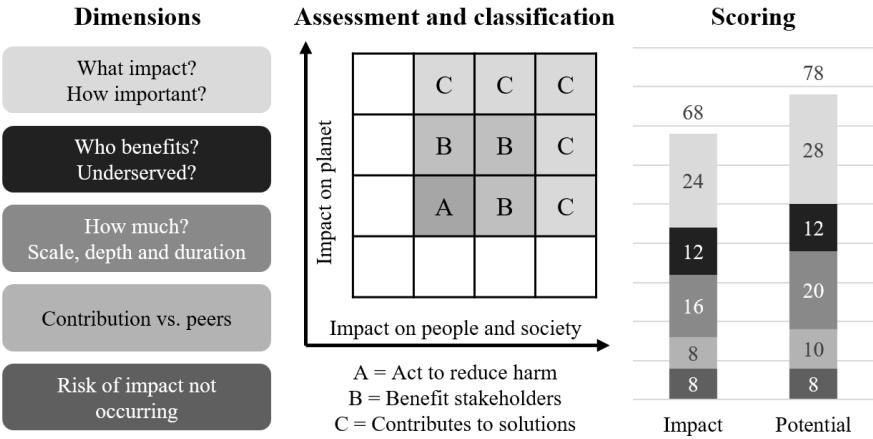


Figure 2: Impact dimensions and scorecard (simplified)

The considerable influence of industry frameworks and best practices on Impact Co.’s main device for assessing and measuring impact shows once more that professionals make use of external sources to direct their thinking about *what impact is* and how it can be measured. In fact, the previous section indicated that many of the interviewees referred to some or all the impact dimensions when asked about their personal views on impact. This means that professionals largely take over the thinking embedded in the shared methodology instead of independently forming and maintaining an individual view. According to the professionals, having a common approach is necessary for the resilience of Impact Co. and consistency of judgment across individuals and over time.

As a result of assessing potential industries using the impact scorecard and dimensions, Impact Co.’s professionals have developed sector and subsector heatmaps according to their attractiveness from an impact perspective. Through this application of the impact assessment devices, the link between the calculative ideas and devices becomes obvious:

We very early on had decided that a subsector like cybersecurity was very impactful in our scoring model. [...] Cybersecurity is impactful in our mind, and according to our framework.

That especially those sectors will be further investigated that seem attractive based on both the professionals’ view and their framework are not to be understood as two separate hurdles that sectors need to take in this assessment. Instead, it reflects congruency of what is impactful in the professionals’ minds and according to their tools and devices. It is the result of the professionals aligning their devices with their thinking, and vice-versa.

As the developed sector heatmaps show both attractive and unattractive fields from the professionals' impact perspective, they facilitate preliminary assessments of companies' impact potential and guide the search for impactful companies. Importantly, the professionals have thereby created knowledge on industries as well as the nature of impact. Their assessment that, for instance, various pockets of healthcare and recycling topics may be particularly promising in the search for impactful companies has aided the professionals in gaining clarity on what the common denominator of impact constitutes across sectors. In turn, applying their assessment tools to industries lets them generate sector-specific knowledge too. For example, the realisation that companies in the oil and gas industry had regularly received low impact scores in the assessments performed by individuals led them to collectively rule out this sector for prospective sourcing efforts.

In contrast to companies in industries with especially large or most likely small impact potential, professionals portray a wide range of grey zone cases:

I think, of course, you're going to have things that are very black and white that we would never go into, but then you're going to have a massive kind of grey area and a grey scale.

The purpose of applying the scoring grid to sectors is to direct the search for potential investments in especially promising industries and gain clarity about cases in the grey area. In other words, the professionals continue their knowledge generation process in all industries that have not yet been ruled out because of insufficient impact. Thus, especially cases in the grey zone may lead to discussions in which the professionals generate new knowledge about the case in question and generalise findings to other cases with similar characteristics. This development from industry agnosticism towards increasingly specific sectors, subsectors, and pockets within them suggests that the professionals have sustained a process in which their tools and devices help them generate expert knowledge in conjunction with their calculative ideas, and repeated case-by-case discussions.

4.1.3. Setting impact KPIs

Impact KPIs represent those calculative devices that most prominently help the professionals operationalise the calculative idea of *how impact is linked to returns*, and therefore possess a foremost financial character. For each of Impact Co.'s portfolio companies, typically upon investment, the professionals set one key impact KPI that is designed to be "the most expressive of the impact that the company creates" and supplemented with further subordinated impact KPIs. In congruence with their statements on the calculative ideas of *what impact is* and the interdependent idea of *how impact is related to returns*, professionals emphasise that impact KPIs need to exhibit a predominantly financial character and perspective:

We try to always attach the impact KPIs to kind of the business plan from a more financial and commercial perspective.

An investment professional adds and elaborates on the financial way of thinking around impact KPIs and goals:

All of our companies have sort of financial KPIs and goals and they have impact KPIs and goals. [...] And it's just the same way as you do on the financial side of things, right? [...] It's the same sort of playbook when it comes to impact.

The professional's thinking summarised above revolves around the impact KPIs' role within the value creation plans and roadmaps set for each investment. By looking at "value levers from a PE perspective, value levers from an impact angle, [...] and] where they overlap", the professionals aim to realise the impact potential envisioned and displayed in the rightmost part of the scoring grid (see Figure 2). Through their role as a major component of value creation plans and their link to the professionals' compensation and financing solutions, impact KPIs constitute a substantial calculative device to operationalise the link between impact and returns.

Impact KPIs are designed to be very specific and tailored to the companies to achieve decision usefulness at the level of the portfolio company. For instance, impact at Emissions Co. is mainly measured through 'CO₂ emissions avoided by customers', whereas 'learning needs addressed' are decisive for estimating impact at EduTech Co. Many professionals emphasised that the reason for setting as specific impact KPIs as possible lies in their intended usefulness for decision-making:

It has to be decision useful. If you have poor performance, then you should instantly know "What do I need to do more of or less of or differently?" If someone tells you in physical education "You're not very good at sports". Okay, what's the conclusion? Get better? I don't know... "You don't run fast enough. You have to improve your kilometre time over 5k with like 8 seconds". Okay, well, if that's the case, then I have kind of an idea of what I need to do. Or "You're not benching enough". Fine, I get that. Or "you have to crawl faster". Fine. So, it has to be operationally relevant. And that's why we also get to a point where it's not really comparable.

As acknowledged above, using specific impact KPIs entails low comparability across companies. This implies that the CO₂ emissions avoided by Emissions Co.'s customers cannot be weighed against the learning needs addressed by EduTech Co. It cannot be said which company has a higher absolute impact if both show the same financial success.

Another important characteristic of the impact KPIs, however, is their scalability with sales, which indicates a limited degree of comparability across investments:

Because if it was Emissions Co. and they're trying to scale [...] we need a basis to understand how much we think we can grow their sales in the coming years. They grow their sales based on number of units sold, number of square meters served. That square meter is linked to an impact KPI. So as easily as they can forecast sale sales growth, they can forecast KPI growth.

As seen above, this scalability feature is a logical consequence of the approach to measuring both impact and sales. Notably, it is an active choice of the professional

that reflects the calculative idea that *impact is linked to returns*, where all financial metrics are ultimately aggregated in the internal rate of return (IRR). This type of KPI selection also corresponds to the conception that impact is found in companies' business models (Barman, 2015). As the design and choice of the calculative idea form Impact Co.'s *raison d'être*, it needs to be reflected in the professionals' calculative devices, too. Indeed, most investment professionals confirmed the scalability of impact KPIs with revenues:

I would say 99% of the time they [impact KPIs and sales] are directly correlated.

The professionals noted that value creation plans are therefore often linked to increasing sales in the context of their active ownership approach. In this way, measures to enhance companies' financial success through sales growth inevitably cause impact growth too. Noteworthy, given the direct proportionality of sales and the chosen impact KPI, both growth rates will by definition be identical. Ultimately, this entails the possibility to compare impact relatively, i.e., impact growth across Impact Co.'s portfolio companies.

4.1.4. Transforming calculative ideas and devices

Calculative ideas and devices are reciprocally related as ideas are embodied by and used as a base for creating devices, but creating and refining devices may change the initial understanding of calculative ideas. As derived above, both calculative ideas prevalent among professionals are interlinked and influence how they design calculative devices. Hence, calculative ideas and devices exhibit considerable congruency. Notwithstanding, two ways in which calculative devices exert influence on calculative ideas have become apparent. First, most of Impact Co.'s professionals' work on the calculative ideas and devices concerned in this study revolves around assessing potential impact cases and setting and refining impact KPIs and goals. The professionals thereby focus their work on these tools, whereas the ideas of *what impact is* and *how it is linked to returns* are rather stated as paradigms and less subject to change. However, the choices the professionals make while setting impact KPIs explain how they view impact:

Because that's an art, setting KPIs, I've realized. It's not easy and it, you know, really can determine the successes of these things and [...] sort of how you view impact.

This establishes a backward link from calculative devices to ideas in which the design of impact KPIs arguably affects how professionals think about impact. Similarly, it can be argued that by assessing potential investment cases, both with recurring or yet undiscussed business models or sector classification, professionals can slightly change the initial calculative idea of *what impact is*. Specifically, evaluating a company with still unclear impact potential provides professionals with insights to be used in subsequent cases. For instance, broader conclusions can be drawn to infer comparable impact scores among companies within the same industry subsector or with similar business models.

While this first way of changing calculative ideas through devices concerns applying the professionals' methodology, the second way relates to changing its components. The professionals demonstrated that both their thinking and their methodological approach to impact are inspired by a multitude of industry frameworks and best practices. As impact investing remains a growing field, industry networks and international organisations make considerable efforts to further develop and standardise best practices. These guidelines are likely to maintain their status of industry standards so that impact investing professionals are likely to adapt their methodology according to framework changes. Interestingly, several professionals indicated that they use frameworks as inspiration to suggest changes to the methodology and claimed that it contributes to Impact Co.'s credibility in external communication. Through refining their methodological approach in accordance with changes in external frameworks, professionals implicitly accept that their underlying idea of *what impact is* will be altered too. Thus, the above mechanisms demonstrate that calculative ideas and devices stand in a reciprocal relationship where a change in either one element may cause an equivalent change in the other. This maintains congruency and consistency of the professionals' thinking and methodological approach.

As indicated above, applying calculative devices for impact assessment helps professionals generate knowledge to be used in prospective discussions. The devices establish the boundaries within which impact assessment and measurement take place for future potential investment cases. By applying their methodological framework, e.g., impact dimensions, in case-by-case discussions, the professionals have gained knowledge on the impact potential of specific cases but also industries more generally. Several professionals emphasised the importance of the methodology for generating knowledge.

I think the most useful sort of knowledge or, you know, expertise I've gotten is really [through] having a framework on how to analyse impact and how we determine [...] what is impactful or not, [...] because you realise that it's really not black and white. It's very grey zone.

By repeatedly applying their tools while screening potential investments, professionals have, for instance, ruled out specific unpromising cases or industry subsectors because of insufficient impact potential. Professionals expand their knowledge by continuing to apply the framework on cases thus far in the grey zone and sharing findings with others.

As a result of repeatedly applying calculative devices, newly acquired knowledge shapes the way they now think about the idea of *what impact is* more generally:

I would say we always do [assess and discuss] it case by case. Just because you know, companies are all different. [...] I think early on we're not going to do it if [...] we all know that there's not going to be any impact found in here. [...] Obviously now, for example, everyone now in the team knows that [this specific business model] is probably not a great impact case. So maybe we don't spend the time on that further on because we've already done that assessment.

It is essential to emphasise that the development of the impact dimensions, scoring grid, and sector heatmaps does not preclude discussions around how to assess impact cases at hand. It appears impossible to set one impact definition that can be applied universally to any company regardless of its sector and business model. Thus, individual judgment is still necessary to decide whether companies may advance to the next pre-investment assessment stage. This establishes the discussions preceding these decisions, especially in borderline cases, as a critical component to how professionals generate valuable expert knowledge enabling the expertise claims.

Deploying calculative devices, specifically setting impact KPIs for new investments, represents a second knowledge generation process in which professionals act as theorising agents using both deductive and inductive reasoning. Several professionals expressed that they intend to employ their existing calculative devices and ideas to set impact KPIs deductively. This is embodied by the common approach for setting impact KPIs through the dimensions of scale and depth:

For setting the KPIs, I think we want to have some conformity or uniformity in those KPIs so that every investment basically has like a scale and depth KPI. [...] So, you measure how many people you reach and then how much of an impact per person do you reach. [...] In that level, [...] every KPI or every company should have the same structure. But otherwise, we try to find what's really the most relevant for that specific company and what's most helpful also for that company.

The quote above underscores that, even with the use of scale and depth criteria, professionals are unable to establish impact KPIs mechanically, highlighting the necessity for careful examination of the company's business model. Instead, they need to tailor the KPIs to what is most meaningful and helpful for making decisions in that setting. The deductive approach is therefore complemented by the need for rather inductive strategies.

The inductive nature of professionals' deployment of calculative devices becomes particularly evident in instances where they lack significant prior knowledge, such as in the space technology sector compared to energy efficiency solutions for buildings:

Some sectors that are brand new or where the KPIs are more nebulous, that will always be hard. [...] And then in others, like in buildings for example with Efficiency Co., [...] I mean building data has been around for a long time and even with Emissions Co., that was a case where the KPIs are pretty straightforward. [...] But for example in Space Co., [...] we had to think very creatively about coming up with a very crystal clear quantified KPI.

It is evident that professionals initially try to set impact KPIs using previously acquired knowledge and consider reusing impact KPIs from previous investments. Yet, due to the wide differences across sectors and cases' inherent ambiguity, this approach does not suffice beyond straightforward cases. In many cases, professionals rather need to think creatively and design impact KPIs based on the circumstances. This allows them to generalise and extrapolate new insights on setting impact KPIs to other cases, thus generating knowledge inductively.

Furthermore, it can be inferred that this act of generating knowledge has been commonplace for professionals since they began using provisional tools and devices to assess industries and companies within them. Professionals stated that especially at the beginning of their operations, their methodological approach was under profound and ongoing development. Therefore, professionals needed to engage in creative thinking to design new impact KPIs, which complemented or altered their sets of calculative devices. As argued above, differences in and new ways of setting calculative devices will also link back to the calculative idea of how professionals view impact and its link to return. This entails professionals creating knowledge and theorising on the ideas of *what impact is* and *how it is linked to financial returns* by operationalising them.

The professionals' special attention to actively transferring gained knowledge to others symbolises its significance to individually developing expertise claims and signalling credibility. Above all, professionals share their accumulated learnings from assessing and discussing previous cases with each other. This conduct does not only take place as new cases are being sourced and assessed but also pronouncedly while onboarding new professionals and subsequently in ongoing training. Two slightly overlapping explanations can be instanced for this behaviour. First, some level of expert knowledge on how to identify and assess impact is seen by the professionals as the foundation of the main components of their work in impact investing. Particularly, individual knowledge forms a precondition to challenging or questioning in discussions and providing input that may change others' views. Second, sustaining and further developing expert knowledge is important to each professional to be continuously able to make well-founded expertise claims and signal credibility while communicating with external parties. As further discussed in section 5.2, this has crucial implications on the individuals' incentives to further their expert knowledge in the light of impact investing industry trends.

Concludingly, it can be argued that professionals at Impact Co. have managed to establish various mechanisms that help them to generate expert knowledge. Initially, they have formed and shaped their calculative ideas about the nature of impact and its relation to financial returns. Based on a largely aligned view, they have deployed tools and processes to operationalise the ideas and make them usable in the daily work of the professionals. Thereby, professionals act for themselves and in group settings as theorising agents who hypothesise and seek to prove the impact investments' positive impact as well as causal connection to financial returns. It became apparent that it is through ongoing application, revision and thereby transformation that professionals generate specialist knowledge that may back up their expertise claims in external communication. In addition to that, their intention to claim expertise and signal credibility was identified through their ways of differentiating themselves from professionals pursuing other types of investing. Moreover, this motive became apparent through the confident way of communicating their conviction regarding the expected achievement of proving to generate a significant positive impact alongside competitive financial returns.

4.2. Financialising calculative ideas and devices

Unambiguously, neither the calculative ideas nor devices discussed in section 4.1 reflect financial numbers as conceptualised based on Arjaliès and Bansal (2018). More specifically, none of the calculative ideas carried by the professionals and tools and processes for impact assessment and measurement are expressed in monetary terms or fully based on financialised logic and valuation techniques (see Chiapello, 2015). Accordingly, none of the employed metrics represent accounting numbers. Despite the often quantified ‘outcome’ of impact metrics such as scores and KPIs, their ‘indicator’ is never a monetary unit (see Goretzki et al., 2018). Instead, impact scores do not exhibit any indicator, while the impact KPIs’ formulation already indicates its unit, e.g., learning needs addressed. Consequently, professionals have not financialised the ideas and devices for impact measurement to an extent that makes them comparable to financial metrics.

Nonetheless, several features of the calculative ideas and devices signal considerable and varying degrees of financialising by the professionals. First, given that the calculative idea of *what impact is* entails that it is measurable, professionals seek to measure impact to prove the hypothesis that their investments are generating significant positive impact (see Celse et al., 2023). Congruently, the impact dimensions leading to the scoring grid, representing the calculative devices with the strongest link to this calculative idea, have in this way been quantified to allow measurement too. Second, the calculative idea of *how impact is linked to financial returns* entails the need to financialise impact to some extent to make it more plausible for investors that impact may lead to returns. Hence, impact KPIs are quantified and somewhat more financialised than the impact scores.

As elaborated in the previous subsection, impact KPIs are usually scalable with sales, often in direct proportion. Consequently, the impact KPIs’ growth is often identical to sales growth. This can be argued to reflect an intentionally and considerably higher degree of financialising as it goes beyond merely quantifying sustainability issues. In effect, it allows some kind of comparability of impact across the portfolio companies as their relative impact growth allows for drawing preliminary conclusions on which investment has made more impact. Moreover, for the impact KPI ‘CO₂ emissions saved by customers’, the existence of an independent mechanism for financialising emissions, namely the EU Emissions Trading System (ETS), entails that the professionals have chosen a metric that allows for converting its measured outcome into monetary terms. However, this currently depicts an exception among Impact Co.’s portfolio companies, and the professionals did not indicate they use the implicit financial value internally. The notion remains that the underlying logics of the calculative ideas carried by the professionals cause the calculative devices’ diverging degrees of financialising.

In line with the findings above, several professionals at Impact Co. indicate at different points that they are aware of the limitations to excessively financialising impact metrics.

Most prominent is the idea that overly compressing different dimensions of impact into a single indicator caused this indicator to become meaningless and hence useless for decision-making at Impact Co. and the portfolio companies:

A lot of investors, a lot of people think “Why can’t we all just compare the world along a single KPI and then we will all be fine?” Well, you know, it’s not going to be very useful. It would be like having a bunch of patients across an entire hospital. “Let’s just have a single diagnosis on them.” I guess the only thing you can come up with is “Are they sick or are they well”. “Oh yeah, so he’s 73% sick” – but what does that mean? It doesn’t mean anything. [...] If you’re 80% of the way of meeting SDG 12. What does that mean? Sustainable consumption, how do you define it? And for an individual company, that’s not useful.

Given that Impact Co.’s professionals use their common methodology intensely in their daily work, it is not surprising that the views above are reflected in their calculative devices deployed. The previous section demonstrated that professionals use KPIs that are largely specific to the portfolio company’s products and services. It is a representation of the perceived threat of insignificance due to compressing different impact dimensions into a single number. Succinctly put with more general applicability:

I have a hard time when there are these abstract ways of [...] lumping together, honestly, like entirely heterogeneous data points into what is assumed to be a homogeneous group. And then making [...] generalised assumptions about that. Because it’s [...] really not informative.

These thoughts are shared by other professionals in the firm. For instance, one professional explains the threat of relying too heavily on a single financial metric for decision-making based on impact and emphasises the necessity to reflect on what is behind it. Regardless of whether the impact or financial dimension is concerned, Impact Co.’s professionals show to be aware of the limited usefulness of financialised single metrics for decision-making.

The threat of meaninglessness through overly financialised and condensed impact metrics is elicited by the inherent incomparability of the various dimensions the notion of impact seeks to capture. The specificity and differing nature of the targeted companies’ impact have a detrimental effect on the comparability of impact measures across the themes ‘individuals’, ‘society’ and ‘environment’:

I just think comparability is very hard because, at the end of the day, you have needs across so many areas. It’s not only environment. I mean, how do you compare biodiversity loss with biomass loss with pollution levels or particle pollution or with hospital beds or with infant mortality? I don’t know what the conversion rate is between infant mortality and particle pollution.

Likewise, it is gauged to be difficult to compare different industries and pockets that Impact Co.’s professionals have identified as promising for their sourcing purposes:

I think it’s always tricky when you compare cases, especially when it’s just fundamentally different sectors. [...] I mean, you have a different investment thesis for each investment.

However, most professionals faced with this question use examples from their daily work to explain why ‘apples to apples’ comparisons seem impossible:

I don’t think you can compare the KPIs. [...] If you take EduTech Co. and MedTech Co. for an example. [...] I mean, they’re both within [the impact theme focused on individuals], but then EduTech Co. is obviously about increasing the sort of [addressed] learning needs of the pupils [...]. So that KPI is obviously very different than MedTech Co.’s [...] patient lives touched.

Ultimately, limits to comparability can even arise across business segments of a single company, which poses a main challenge for assessing impact during the sourcing process:

I think where we’ve had challenges sometimes to kind of find what would be a meaningful KPI has been, especially when a company has like several different services or products that they offer which have slightly different impacts.

On all levels, impact investing professionals face the very same problem: the inherent incomparability of the different dimensions of impact. Although assessing companies’ impact starts with evaluating the effect of their products or services, professionals will always need to revert to high-level impact dimensions or themes. Thus, incomparability and missing “conversion rates” across different causes unavoidably lead to incomparability across sectors, companies and even business segments.

Despite these acknowledged limits to financialising, several investment professionals express the wish for further standardisation in the impact investing field and advocate increased financialising. In this way, some of them argue, the industry will become more appealing to traditional non-impact investors, scale and thereby transform the whole investment community:

Who knows where this will go in 40 years from now? We might have an IFRS for sustainability and impact at that point. Hopefully, we will.

While this professional expresses their desire for a uniformly applicable accounting standard in the statement above, other professionals hope for continued harmonisation of standards for assessing and measuring impact at the industry level. This desire for standardisation aims to create comparability and reliability as well as simplify decision-making. Moreover, it intends to facilitate the integration of impact considerations into traditional investment decisions and thereby appeal to a broader range of financial market actors. As outlined by Ruff et al. (2023), many actors in the impact investing industry are concerned with this idea despite their wish to present financial issues and impact separately in their impact tools and devices. According to the participants of their study as well as several professionals at Impact Co., increased comparability may be achieved through increased financialising. An investment professional notes that this would enable scaling the whole industry, a long-term desire and outlook for impact investing:

I think if we get to a point where we can actually have [...] a standardized, quantifiable way to measure impacts, [...] you could really compare apples to pears. You could say “this social impact is worth this many dollars and this environmental impact is worth this many dollars”. [...] I think if we get to that point and I hope we do and I believe we do, we’ll get there, then [...] there’s a potential that impact investing will become mainstream because that’s for all the mainstream investors out there who really like their numbers and their financial KPIs and they look at all the growth rates and EBITDA margins. If they get similar numbers for impact, that is actually reliable and comparable.

Interestingly, the notions of standardising, quantifying, financialising, and comparability are used almost interchangeably here, lending support to the idea that they are interdependent and mutually condition each other. Furthermore, this stands in contrast to the statements stated above that acknowledge the crux of trying to compare inherently incomparable dimensions. As remarked previously, outside influences are the main force in increasing the degree to which financialising is reflected in calculative devices in impact investors’ measurement techniques. Despite the professionals’ pronounced claim that their ways of assessing and measuring impact were largely unaffected by the views of non-impact investors, envisioning impact investing becoming mainstream allows these external views to affect their thinking. Professionals effectively internalise investors’ views to appeal to them and achieve credibility by their means, i.e. financialised devices.

The analysis showed that the professionals find themselves at the tension of two opposed forces respectively justifying lower vis-à-vis higher degrees of financialising. Following the above reasoning, the professionals need to account for external demands driving the degree of financialising and the lower degree suggested by internal concerns paired with the desire and necessity to sustain meaningful tools and metrics. Therefore, professionals play a crucial role in balancing these opposing motives for and against financialising through the deployment of calculative devices such as impact KPIs. Their mechanisms of coping with this situation are among others reflected in the KPI design criteria, presented in subsection 4.1.3, that intend to achieve a certain level of uniformity while maintaining the KPIs’ relevance to the companies’ decisions. It can be argued that the professionals in this way make sure that the KPIs are not located too close to either end of the spectrum of financialising.

Effectively, this analysis argues that professionals regularly choose to financialise as much as possible to achieve the highest possible credibility for themselves and their measures, while maintaining their impact devices’ meaningfulness. Above all, this can be inferred from the tendency to select impact KPIs that are proportionally scalable with sales. It is seen as a direct result of the conception of ‘impact’ on the professional. The idea that impact is to be found in companies’ business models, which is specified at the level of the industry, causes professionals to regularly select impact KPIs that grow in tandem with companies’ operations. First, this symbolises how standardisation bodies in the impact investing industry shape calculative ideas

that may influence the way professionals deploy calculative ideas, such as impact KPIs, to operationalise them. Second, this circumstance suggests a link of impact KPIs to sales revenues and entrenches a financialised logic, which induces a considerable degree of financialising that exceeds merely quantifying impact. This can be viewed as a significant yet potentially problematic step towards attaining credibility by traditional financial market actors. As the professionals await further standardisation and increased financialising of impact-related devices but also markets, as seen through the EU ETS, it can be inferred that the professionals would like to increase the appeal and credibility through financialising impact metrics even further.

5. Discussion

The purpose of this paper is to examine how impact investing professionals tackle the challenge of attaining credibility in their growing field. The above empirical analysis characterises their approaches to financialising and claiming expertise. An interlinked relationship between these previously separated concepts served as the chief inspiration for a new framework presented in Figure 3 below. After introducing the key concepts and relationships in the framework, the chapter will turn towards contextualising it in previous literature before highlighting notable implications.

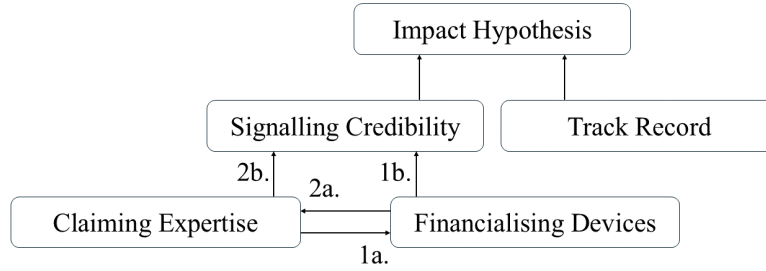


Figure 3: The interplay of claiming expertise, financialising devices, and signalling credibility for impact investing professionals

The main aim of the above figure is to present the links between concepts and processes identified as key for the work undertaken by the impact investment professional. In placing certain concepts on top of others, the purpose is to show how some pronounced processes contribute to the make-up of others, without presenting an exhaustive list of concepts not contributing to analysis or understanding. The lower level of the model started with inspiration from expertise literature chiefly contributed by Tan (2014), whereby synthesis with financialising literature and empirical findings inspired the addition of relationships and contextual challenges. While the above concepts have been explored in previous chapters, it follows a brief reminder of the processes they represent.

As discussed in chapter 2, impact investing rests upon the *impact hypothesis* (Celse et al., 2023) that impact investments generate impact and that this impact is achieved alongside financial returns (see GIIN, 2024). The hypothesis remains unproven because the industry, given its nascence, has not yet accumulated sufficient *track record* for investors to accept the field’s hypothesis without further ado (Celse et al., 2023). As the analysis suggests, this shortcoming in comparison to traditional financial markets can be linked to the significantly higher relative importance of the impact investing professionals *signalling their credibility*. The professionals may do so by *claiming expertise* towards investors (Tan, 2014), and by *financialising the impact-related devices* used in decision-making (e.g., Arjaliès and Bansal, 2018). Supportably, both will be necessary as financialised numbers and devices need to be explained by professionals, or experts, (e.g., Goretzki et al., 2018), and developing expertise claims involves transforming calculative devices (Tan, 2014).

Furthermore, both the literature (e.g., Chiapello, 2015) and the analysis suggest limits to meaningfully financialising impact-related devices. Consequently, this study argues that professionals in impact investing need to attain relatively more credibility stemming from expertise claims than seen in traditional financial markets. In conclusion, this conceptualisation highlights two contextual challenges and their critical implications for impact investing professionals that have been widely neglected by previous research. First, the increased need for credibility due to an insufficient track record that could make investors accept the impact hypothesis. Second, the practical impossibility of fully financialising impact-related calculative devices to achieve maximum credibility of the used numbers instead of the professionals.

To deepen the understanding of the framework and the observations it serves to theorise, the discussion will now embed it in previous literature. While there is considerable academic support for individual parts of the framework, its main purpose is to show the interplay between them. Conclusions drawn from this interplay thus serve to either support or challenge previous insights regarding the work of investment professionals.

5.1. Claiming expertise and financialising as credibility signals

Despite their common foundation and purpose, the concepts of expertise and financialising have been widely employed separately to understand professionals in sustainable investing markets. Fundamentally, both the process of developing expertise claims and the performative act of financialising, as conceptualised in this paper, rest upon the concept of calculative devices. For developing expertise claims, calculative devices play a crucial role as by transforming them, professionals generate expert knowledge that may back their claims (Tan, 2014). Calculative devices also represent the objects being financialised by professionals (Arjaliès & Bansal, 2018). Moreover, it could be seen throughout the analysis that claiming expertise and financialising calculative devices serve the same purpose of attaining credibility for the professional and their metrics in use.

Both the analysis and previous literature (Gendron et al., 2007; Power, 1992) give rise to the idea that professionals claim to be experts to be perceived as credible and trustworthy. The empirical analysis found that impact investing professionals base this on the expert knowledge they have gained while interpreting and operationalising the calculative ideas of *what impact is* and *how it is linked to returns*. In this way, the professionals act as theorising agents who deploy calculative devices (Tan, 2014), such as impact assessment tools and impact KPIs. By constantly discussing cases and refining their methodology (see Barman et al., 2021), they have accumulated considerable knowledge that is supposed to make them stand out as experts. Complementing this conduct, professionals tend to embed the highest possible degree of meaningful financialising in their devices to appeal to traditional financial market actors who perceive financial numbers to be more credible than qualitative information (e.g.,

Chua, 1996; Porter, 2020). Despite this apparent common ground, most previous studies on the integration of sustainability issues into investment decision-making have focused on either expertise (Tan, 2014) or financialising and financial numbers (e.g., Arjaliès and Bansal, 2018; Arjaliès et al., 2023b).

Besides their commonalities, the analysis found that the mechanisms of claiming expertise and financialising devices are inextricably interlinked. As indicated by the interviewees, transforming calculative ideas and devices as well as ingrain a certain degree of financialising in the devices take place simultaneously. Additionally, both mechanisms represent enabling conditions for one another. On the enabling effect of expertise on financialising devices, it can be hypothesised that professionals need to possess some level of expert knowledge to financialise impact metrics, represented by arrow 1a. in Figure 3. Besides financial literacy which is a core element to the knowledge of professionals in traditional financial markets, impact investing professionals need to have specific knowledge on how they may financialise impact metrics. Being able to understand the limits to financialising (e.g., Chiapello, 2015) and identify when a device is still meaningful (e.g., Hehenberger and Andreoli, 2024) form chief concerns here. The professionals' special attention to actively and swiftly conveying knowledge while onboarding new professionals speaks especially strongly in favour of this argument.

Moreover, findings from contexts outside of sustainable investing can be employed here to argue that impact metrics, like financial respectively accounting numbers, need experts to effectively communicate them (Barman et al., 2021; Goretzki et al., 2018), represented by arrow 1b in Figure 3. The notions of expertise and credibility include an audience legitimising the claim (see Gendron et al., 2007; Power, 1997a), respectively accepting the signal. However, the impact investing professional as an expert is thus not only critical to communicating their own expertise claims but also to inducing the supposedly beneficial effects of financialised devices on credibility.

On the enabling effect of financialising metrics on claiming expertise, represented by arrow 2a. in Figure 3, it can be hypothesised that professionals need to financialise to some extent in the process of interpreting calculative ideas and deploying calculative devices. As established by Tan (2014), the act of quantifying depicts a key process undertaken by sustainable investing professionals to theorise the link between sustainability and financial issues. Since quantifying may be conceptualised as an unavoidable step to financialising (Barman, 2015; Chiapello, 2015), and both the professionals in Tan's (2014) and this study use financialised devices, it can be inferred that quantifying and financialising play essential roles to developing expertise claims. This perception is reinforced by the finding that the professionals' calculative ideas, ultimately influenced by standardisation bodies in the industry, ingrain a financial character in both 'impact' and hence the calculative devices used. When communicating their expertise claims towards their audience to legitimise their expert status, represented in arrow 2b. in Figure 3, professionals thus implicitly base these claims on knowledge generated from transforming and notably financialising calculative devices.

Important to highlight while theorising the link between claiming expertise and financialising devices is the understanding that both experts and financialised devices may act as credibility signals. This study thus integrates the views of the literature on expertise (Tan, 2014) and financialising (Chiapello, 2015) and claims that both experts and financialised metrics, in themselves, may be perceived as credible by investors. Whereas the view that experts purposefully portray themselves as such to be considered legitimate and credible is well-established in the literature (Gendron et al., 2007; Power, 1992; Tan, 2014), the credibility of financialised metrics requires closer attention. In fact, this proposition is supported by the observation that the impact investing professionals in this study did not just continuously transform calculative ideas and devices to gain expertise, but also regularly selected impact metrics with the highest possible degree of financialising without risking their meaninglessness. Employing Chiapello (2017)'s understanding of financialising, it can be argued that financialised devices have their own appeal that can exist somewhat autonomously from the professionals who originally developed them. This is still corresponding to the view that financial numbers need professionals to communicate them (Goretzki et al., 2018). Particularly, it can be argued that *developing expert knowledge* and *financialising metrics* represent enabling conditions that combinedly confer the possibility to signal credibility upon *claimed experts* and the *financialised devices* they have developed.

This study confirms and adds upon several findings from articles on the role of financialising in sustainable investment contexts. In line with previous studies on financialising (Arjaliès & Bansal, 2018; Arjaliès et al., 2023b; Chiapello, 2015) and motives of impact investing professionals (e.g., Ruff et al., 2023), this paper suggests that impact investing professionals tend to give in to pressure to financialise their metrics to appeal to investors and signal credibility. The analysis showed that the perspectives of investors favouring financialised devices were mostly internalised by professionals despite somewhat contradicting statements. As a result, the professionals appeared to select the highest possible degree of financialising in their attempt to attain credibility. In addition, the empirical evidence supports concerns brought forward by previous researchers (Arjaliès & Bansal, 2018; Chiapello, 2015) that financialising impact, respectively sustainability issues, is not completely possible without sacrificing the meaningfulness of the devices they are incorporated in. The largest possible extent to which impact KPIs in this study could be financialised was thus generally below the level of traditional financial metrics in investing contexts, such as internal rates of return.

Nonetheless, the role financialising plays for impact investing professionals appears in a different light in the context of this study. As derived above and depicted in Figure 3, the impossibility of entirely financialising impact requires the professionals to put emphasis on their roles as experts in their field. Consequently, the remaining pressure to financialise, considered to be key in the literature, seems in some way to be ignored by professionals. However, the analysis found they implicitly alleviate this pressure through other means. While previous studies proposed that lower levels

of financialising may be substituted by rather qualitative accounts such as visuals (Arjaliès & Bansal, 2018) and storytelling (Morrison & Lowe, 2021), this cannot be backed by this study. Instead, a strikingly unified, confident, and calculative approach to impact measurement suggested that developing and claiming expertise may balance financialising as another credibility signal. By theorising both mechanisms, i.e., financialising and the professionals' observed behaviour of portraying themselves as experts signalling credibility, this study emphasises the common purpose of appealing to investors and attaining credibility. As a result, this study finds that financialising plays a significant, but considerably different role for professionals than suggested by previous research. By integrating financialising with the concept of expertise, this study attends more clearly to the crucial context factor that impact cannot unconditionally be financialised and its effect on the impact investing professionals. It further theorises the interlinkages of both concepts that significantly enhance the understanding of impact investing professionals in their context.

Furthermore, the findings of this study somewhat question the relevance of research focusing on ways to increase the measurability of impact and sustainability issues in financial terms. Based on the analysis and critical literature such as Chiapello (2015), the notion remains that their inherent incomparability and moral limitations inhibit efforts to financialise and monetise sustainability dimensions. Accordingly, this paper puts the purpose of financialising, i.e., attaining credibility, in the foreground. Theorising financialising as a credibility signal paves the way to reason that pressure towards increased financialising may be compensated by credibility attained through professionals' claimed expertise. As the importance of impact investing professionals and their expertise puts financialising into a broader context, the need for increased financial measurability of impact is relativised. Concludingly, solely focusing on financial numbers and financialising appears inadequate to fully comprehend impact investing professionals' behaviour considering the challenges anchored in their context.

As the importance of credibility is an integral part of the research on professional expertise, the conclusions drawn from the empirical evidence are more closely aligned with this stream of literature. While finding support for Tan's (2014) approach to how professionals may develop expertise claims, this study further emphasises attaining credibility as the predominant motive for doing so. Moreover, the discussed findings constitute financialising as a second, interlinked mechanism that, too, is based upon the concept of calculative devices and targets signalling credibility. Given the limitations to financialising in the impact investing market, the relative importance of professionals claiming their expertise may be even more pronounced. Although Tan (2014) explicitly dealt with the observation that professionals quantify their calculative devices, he viewed the act of quantifying solely as a step of their theorisation process. This study supports and expands this idea by attending to the effects that financialising calculative devices may have on their credibility, relatively independent from the professional. Furthermore, this study contributes by elaborating and theorising the links between claiming expertise and financialising, thereby adding nuance to

Tan's (2014) approach. Overall, the discussion above demonstrates that the notions of claiming expertise and financialising may be compatible in the growing field of impact investing and possibly related fields where professionals face similar challenges. Concludingly, this study shows that the combined consideration of claiming expertise and financialising facilitates a significantly enhanced understanding of impact investing professionals in their context.

5.2. The dominance of the impact hypothesis

A key finding in the empirical analysis seen at the top of the framework above is the importance of the *impact hypothesis* and specifically its effect on the impact investment professional. While considerable research has aimed at proving or disproving that positive impact enables an equal or greater financial return, an early insight during the case study was the limited relevance of such discussions to the interviewees. In comparison to the challenges faced around impact assessment, the nature of the impact hypothesis was comparatively considered a non-issue. Crucially, the analysis concludes that this does not reflect the lack of importance of the hypothesis but rather the severe importance of its conclusion for the professional's *raison d'être*. Without it, credibility signals that are lacking due to the limitations to financialising devices could not be supplemented by expertise claims, since these claims assume value-relevance to impact assessment. Thus, professionals put their trust in an eventual track record discussed below and assume truth where evidence to the contrary risks not only challenging but unravelling acceptance of their credibility signals.

Through questions pertaining to thoughts on impact definitions and assessment, the empirical analysis showed how views and perspectives were reinforced over the course of professionals' employment. Similarly to studies underlining the importance of values in impact investment (e.g., Meng et al., 2022; Ruff et al., 2023), the company's selection of professionals began with rigorous interviewing to ensure value alignment. Subsequent onboarding and training sessions built around knowledge made during previous impact assessments highlight the need for a shared understanding among professionals. Once onboarded, the daily work of interviewed professionals consisted largely of internal discussions on a plenitude of impact-related topics. While interviewees with different seniority all underlined that high-level discussion of impact is welcomed, there were clearer incentives to discuss low-level processes subject to deadlines (e.g., impact assessment ahead of an investment decision). Apart from time constraints, another potential reason for the observed value alignment was that the novelty of the niche offering meant that most interviewed professionals had never previously worked specifically with impact investing. Thus, there were few preconceived notions interfering with the guidance received during the onboarding process.

Contextualising these findings further within the literature on accounting as a form of economic calculation, the notion that ideas primarily influence calculation rather than the other way around contrasts with previous conclusions (Mennicken et al., 2008). With the impact hypothesis characterised as a calculative idea, there is a link to the programmatic dimension as explained in chapter 2 (Miller, 1991; Power, 1997a). Meanwhile, the technological dimension is represented by calculative devices found to be dependent on the overarching hypothesis, suggesting the opposite domination to that identified by Mennicken et al. (2008). Potential reasonings for this include the importance of values in impact investing coupled with the previously explained importance of the impact hypothesis. These findings further supported the inclusion of the impact hypothesis in the above framework despite being a more abstract concept than the calculative devices it indirectly influences.

Interestingly, the suggested domination of the programmatic dimension over the technological (Mennicken et al., 2008) in impact investing does not rule out influence in the other direction. Apparent throughout the interviews in this study, the professionals' pursuit concerns not merely 'impact' but 'quantifiable impact' as assumed possible within the impact hypothesis. Thus, while the hypothesis as a calculative idea is here characterised as primarily pertaining to the programmatic dimension, it is construed with the technological dimension in mind. In other words, while values and ideas appeared more dominant in this study than what has previously been found in studies on traditional investing, there is difficulty in separating these ideas from their purpose to enable practical economic calculation. This interlinked relationship lends further support to the view of impact investing as a field defined by the distinctly different influences of calculation-driven traditional investing and value-driven philanthropy (GIIN, 2024).

Another contextual concern paramount to the work of the impact investment professional is the concept of track record, and particularly its significance to the impact hypothesis. While it has been previously noted that impact is a credence good (Celse et al., 2023) with undeterminable quality, the interviews unveiled a trust in the same not applying for impact investing as an offering. Whereas academic research into the impact hypothesis largely appears to follow the scientific method of testing it through reasoning, polling, and experimentation (Heeb, Kölbl, Paetzold, & Zeisberger, 2023), the observed practitioner view amounted to assuming truth and letting the eventual track record serve as sufficient proof. Despite the eventual challenges to control for factors to isolate the influence of impact on financial returns, this potential issue was dismissed as a hypothetical future concern during the interviews. In the context of this study, the primary insight gained from these discussions was the identification of the industry's short history and track record as crucial facilitators of the influential working hypothesis. Indirectly, it affects all credibility signalling by impact investment professionals and suggests that dynamics in the industry may change as it matures.

Further support to considering the lack of track record during the analysis is its link to the previously studied lack of standardisation of methods in the industry. Interviewees with previous experience in traditional investment noted both a greater variety of challenges and lower accessibility of industry best practices. Avant-garde methods of problem-solving included engaging a network of external industry experts and communicating with standard-setters employed in political institutions. Combined with the monikers to the effect of ‘trailblazers’ seen by impact investment firms in external communications supported the noteworthy self-identification by interviewees as being at the forefront of a new frontier. Thus, the lack of track record appeared to not only influence central calculative ideas and the ability to work under a working hypothesis but also the freedom to develop calculative devices interlinked with those ideas. Furthermore, it was noted that the conception of ‘trailblazers’ could have a supporting effect on the confidence helpful to claiming expertise.

Lastly, a topic linked to the short industry track record with potentially growing relevance is the topic of scrutiny and ‘impact-washing’ noted as a serious concern by some interviewees. The previously quoted hope for an eventual impact equivalent to IFRS was but one of several comments wishing for external scrutiny and approval. A literary explanation of this phenomenon is found in Tan’s (2014) model of expertise, whereby professionals gain knowledge, claim expertise, and seek approval for their claims. Knowledgeable experts thus desire scrutiny to remove the prevalence or suspicion of unbacked claims of expertise eroding credibility in the industry, in other words: impact-washing. That the scrutiny is done by a third party is perceived as of particular importance to impact investing, since recent research has shown that investors find it difficult to understand the impact information provided to them (Heeb et al., 2023). The future will inform the extent to which such scrutiny can be standardised given the challenges of comparability in the industry (Celse et al., 2023).

6. Conclusion

The purpose of this study has been to examine how impact investing professionals deal with the challenges related to attaining credibility in their growing field. The paper has used an interpretive and abductive research approach at a North European impact investing firm and integrated the literature streams on expertise and financialising to answer the following research question:

How do impact investing professionals signal credibility despite limits to financialising and the largely unproven impact hypothesis?

The analysis of the empirical evidence found that the professionals studied primarily attempt to attain credibility by signalling their expertise. Based on the ideas of *what impact is* and *how it is linked to returns*, they have developed tools and processes to assess and measure impact. These ideas and devices are shown to permeate the professionals' work and help them generate expert knowledge to support their claims. Their perceived level of confidence and statements indicate their intention to claim their expertise and thereby signal credibility. Simultaneously, the study sees professionals financialising their tools and metrics, e.g., impact scores and KPIs, to different degrees. However, the tools and metrics are in each case considered less financialised than traditional investment metrics such as IRRs. The analysis shows that professionals regularly choose the highest extent of financialising while maintaining the meaningfulness of their devices. Crucially, the study demonstrates that both financialising and claiming expertise build on the same foundation, the professionals' calculative devices, and add to the same purpose: signalling credibility to investors. Moreover, it is seen that the impact hypothesis has far-reaching implications on the professionals as it exerts significant influence on how they develop and financialise their tools and metrics. While reciprocal relationships are identified, the calculative ideas connected to the hypothesis seem to dominate the deployed devices.

This paper contributes to the literature in several ways. First, it fundamentally alters the view of how and why professionals in sustainable investing claim expertise and financialise devices. By theorising both mechanisms as credibility signals, the study broadens the perspective on impact investing professionals considering their main challenges of attaining credibility despite limits to financialising. The literature streams on professional expertise (Tan, 2014) and financialising (Arjaliès & Bansal, 2018; Arjaliès et al., 2023b) are not only integrated based on their common foundation and purpose but their underlying mechanisms were shown to mutually enable and support each other. Second, this study follows researchers' recent concerns (Celse et al., 2023) and attends to the effects of the impact hypothesis and lacking track record on professionals in the field. The findings contribute to the economic calculation literature (Mennicken et al., 2008; Miller, 1991; Power, 1997a) by portraying a case in which the programmatic dimension of calculation dominates the technological and elaborating on the underlying reasons. Lastly, this study contributes to research in the

domain of impact investing and reinforces the notion that this particularly enticing field warrants considerable attention in future research. By focusing on the role of professionals in the field, the study fills an important gap as previous research has often omitted close consideration of individuals despite their crucial role in developing and growing the field.

It needs to be acknowledged that this study is subject to several limitations that provide appeal for future research on professionals in impact investing and related fields. First, the sample size in this single case study is limited, reflecting difficulties connected to accessing impact investing professionals for research purposes. Interviewing further professionals, especially from the impact team, might have led to a different accentuation of individual perspectives on impact and the importance of different transformation mechanisms. Second, the research design prescribed a focus on the internal perspective to building expertise and signalling credibility. It remains interesting to examine in future studies to what extent impact investing professionals' audience in different settings but also the professionals perceive themselves as experts, respectively credible (Tan, 2014). Furthermore, the mechanisms employed by investors to scrutinise the expertise or credibility of impact investing professionals warrant further investigation considering the significant threat of 'impact-washing' (Harji & Jackson, 2012). Incorporating external views may better fulfil the idea of establishing expertise and credibility in gradual processes among several parties yet lead to a more complex framework. Lastly, the data collection did not include the observation of discussions but individuals' statements of their importance in transforming calculative ideas and devices. Scholars with the opportunity to observe meetings among professionals may draw further conclusions on dynamics and mechanisms in discussions along the investment process to enhance the understanding of knowledge generation through the transformation of calculative ideas and devices as derived by Tan (2014).

Nonetheless, this study proposes that the framework derived from integrating different streams of literature and the empirical evidence may be used as guidance and applied to other settings in impact investing and related markets. Notably, it can be argued that professionals specialised in SRI and ESG investing face similar challenges with regard to the unproven link of sustainability issues to financial returns. Applying the proposed framework may add nuance to how professionals signal credibility in these markets. It may also facilitate a structured understanding of professionals' incentives and risks to engage in 'green-washing' or 'impact-washing' in various contexts. Moreover, using and advancing the comprehensive approach to expertise and financialising taken in this study may contribute to further impactful academic contributions to sustainable development (Bebbington & Unerman, 2018). Particularly, combining accounting research with psychological dimensions of expertise, credibility and trust, and increased focus on communication aspects appears promising in this respect.

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7. Appendix

Table 1: Interview overview

Date	Role	Type	Duration (min)
07/11/2023	Partner	Physical	20
06/12/2023	Partner	Physical	63
01/03/2024	Impact Professional	Physical	87
07/03/2024	Investment Professional	Physical	65
15/03/2024	Investment Professional	Digital	62
28/03/2024	Investment Professional	Digital	60
02/04/2024	Investment Professional	Digital	52
05/04/2024	Investment Professional	Digital	61
10/04/2024	Investment Professional	Physical	51
11/04/2024	Investment Professional	Physical	63
11/04/2024	Partner	Digital	33
23/04/2024	Investment Professional	Digital	29
23/04/2024	Investment Professional	Digital	46
26/04/2024	Investment Professional	Digital	45

Table 2: Interview guide at later stages of the interview process

Phase	Description	Example questions & topics
1	Formalities	Introduction, purpose of the study, GDPR, recording
2	Topic A: Background	Could you please put some colour and context to your background before joining Impact Co.? What do you consider to be the main differences from your previous employers? What are your main responsibilities at Impact Co.?
3	Topic B: Expertise & discussions	How do you prepare for internal and external meetings? What gives you confidence in your daily work and internal or external discussions? What sources of inspiration would you draw upon if you had to suggest improvements to processes?
4	Topic C: Impact assessment & measurement	How do you choose impact KPIs for portfolio companies? Can you give an example of how you use the impact assessment tools? Challenges? How do you expect impact assessment and measurement to evolve over the coming years?
5	Topic D: Impact & returns	How has your view of impact and its relationship to financial return developed since joining Impact Co.? Have you experienced prioritizations between impact and returns you did not agree with? Do you see any other challenges or tensions here?
6	Conclusion	Are there any related issues or tensions that you would have expected us to ask about? Questions from the interviewee Possibilities for follow-ups and referrals to colleagues

Table 3: Interview guide at earlier stages of the interview process

Phase	Description	Example questions & topics
1	Formalities	Introduction, purpose of the study, GDPR, recording
2	Topic A: Background	Could you please put some colour and context to your background before joining Impact Co.? What do you consider to be the main differences from your previous employers? What are your main responsibilities at Impact Co.? What are your reasons for working in impact investing?
3	Topic B: Professionals	How would you describe the work environment and culture in the impact/investing team and overall? Do you consider Impact Co. to differ from other impact companies in these and other respects? If so, how?
4	Topic C: Impact definition	How would you personally define impact? How much room for interpretation is left by Impact Co.'s definition of impact? Has your personal view on impact changed since joining?
5	Topic D: Impact measurement	To what extent and in what way are you exposed to impact measurement? How do you measure impact in different cases? Example? To what extent do you think you can contribute to how impact is being measured at Impact Co.? How do you make sure that your work contributes to a higher impact in the portfolio companies?
6	Topic E: Impact-return relationship	How do you look at the relationship between impact and returns? Challenges or tensions? To what extent do you see the relationship between impact and returns changing? How do you prioritise between impact and return?
7	Conclusion	Are there any related issues or tensions that you would have expected us to ask about? Questions from the interviewee Possibilities for follow-ups and referrals to colleagues