UNIVERSITY OF TURKU

ABSTRACT

- [ ] Bachelor´s thesis
- [ ] Master´s thesis
- [ ] Licentiate´s thesis
- [ ] Doctor´s thesis

Subject	International Business	Date	27.12.2018
Author(s)	Sonja Sainio	Student number	503407
		Number of pages	75 + appendix
Title	Seizing the momentum: The rise of impact investing market in Finland		
Supervisor(s)	D.Sc. Elina Pelto, D.Sc. Milla Wiren		

Abstract

Recently, there has been a lot of discussion on strengthening the role of the private sector in addressing the 21st-century challenges. Over the last decade, one topic that has increasingly gained popularity in business and public policy is impact investing, which challenges the traditional dichotomies between the world of philanthropy and investing. In other words, impact investors believe that they can both do well and do good at the same time by seeking measurable social or environmental impact alongside financial returns.

Despite the growing interest, impact investing as its own academic research field has only recently started to develop. It is evident that the industry practitioners currently lead the research efforts on the topic. Therefore, this study sought to address the identified academic gap by conducting a study in the Finnish market environment. This diversifies the geographical focus of the existing research, which is currently heavily focused towards the UK and the US market. Since the Finnish market is still in its early development phase, the aim of this study was to conduct an initial mapping of the current market ecosystem. The following individual objectives were formed to achieve the stated aim: 1) to examine the structure of the market ecosystem 2) to examine how the concept of impact investing is understood, 3) to explore the perceived opportunities of impact investing and 4) to identify the perceived challenges that impede participation in the market.

This study adopted an exploratory and qualitative research design and conducted 10 unstructured interviews among investors, intermediaries and impact-driven organizations. Generally speaking, the main finding is that the Finnish impact investing market is currently strongly organized around the application of the SIB model. Moreover, SIBs can originally be seen to have had dual objectives in the Finnish context: 1) to increase outcomes-based procurement in the public sector and 2) to establish a broader impact investing ecosystem in Finland with a variety of different instruments and actors. Currently, considerable effort has been directed towards advancing the first of the abovementioned objectives. However, the broader impact investing ecosystem is still lacking some fundamental elements that would encourage wider participation in the market. Furthermore, the findings imply that the strong orientation around the SIB model may have, at least partly, blurred the boundaries between the concept of SIB and the concept of impact investing.

Key words	impact investing, social impact bond (SIB)
Further information	

UNIVERSITY OF TURKU

TIIVISTELMÄ

- [ ] Kandidaatintutkielma
- [ ] Pro -gradu tutkielma
- [ ] Lisensiaatintutkielma
- [ ] Doctor´s thesis

Oppiaine	Kansainvälinen liiketoiminta	Päivämäärä	27.12.2018
Tekijä(t)	Sonja Sainio	Matrikkelinumero	503407
		Sivumäärä	75 + liite
Otsikko	Seizing the momentum: The rise of impact investing market in Finland		
Ohjaajat	KTT Elina Pelto, KTT Milla Wiren		

Tiivistelmä

Viime aikoina on keskusteltu paljon yksityisen sektorin roolista 2000-luvun haasteiden ratkaisemisessa. Erityisesti vaikuttavuusinvestoimisen käsite on noussut pintaan viimeisen vuosikymmenen aikana sekä yritysmaailmassa että julkisessa politiikassa. Se haastaa perinteisen kahtiajaon hyväntekeväisyyden ja sijoittamisen välillä, sillä vaikuttavuusinvestoijat haluavat samanaikaisesti tehdä voittoa ja saada aikaan hyvää yhteiskunnassa. Niinpä he hakevat sijoitukselleen sekä mitattavissa olevia myönteisiä yhteiskunnallisia tai ympäristövaikutuksia taloudellisen tuoton ohella.

Kasvavasta kiinnostuksesta huolimatta vaikuttavuussijoittaminen on akateemisena tutkimusalana alkanut vasta hiljattain kehittyä, ja alan tutkimus onkin tällä hetkellä pitkälti alan käytännön ammattilaisten käsissä. Niinpä tässä tutkimuksessa pyrittiin vastaamaan tähän puutteeseen akateemisessa kentässä tekemällä tutkimus suomalaisessa markkinaympäristössä. Näin myös tämänhetkisen tutkimuksen maantieteellinen painopiste monipuolistuu, sillä aikaisemmin tutkimusta on tehty varsinkin brittiläisestä ja yhdysvaltalaisesta näkökulmasta. Suomen vaikuttavuusinvestointimarkkinat ovat kuitenkin hyvin alkuvaiheessa, ja siksi tämän tutkimuksen päätavoitteena oli kartoittaa markkinoiden nykytila. Tutkimuksen alatavoitteet kohdistuivat seuraaviin seikkoihin: 1) markkinaekosysteemin rakenne, 2) vaikuttavuusinvestoimisen käsite suomalaisessa ympäristössä, 3) mahdollisuuksien tunnistaminen ja 4) haasteiden tunnistaminen.

Tutkimus oli luonteeltaan eksploratiivinen ja laadullinen ja siinä toteutettiin 10 strukturoimatonta haastattelua sijoittajien, välittäjien ja vaikuttavuudesta kiinnostuneiden organisaatioiden keskuudessa. Yleisenä päähavaintona voidaan todeta, että suomalaiset vaikuttavuussijoittamisen markkinat ovat tällä hetkellä vahvasti järjestäytyneet tulosperusteisen rahoitussopimuksen (SIB) ympärille. Näiden SIB-sopimusten voidaan nähdä alun perin ajaneen kahta tavoitetta suomalaisessa kontekstissa: 1) julkisen sektorin tuloksiin perustuvien hankintojen lisääminen sekä 2) laajan vaikuttavuusekosysteemin luominen, mukaan lukien erilaiset investointivälineet ja toimijat. Tällä hetkellä merkittävä osa toimista on kohdentunut edistämään ensimmäistä tavoitetta. Toisaalta, ekosysteemistä puuttuu vielä joitakin oleellisia elementtejä, jotka edistäisivät laajempaa osallistumista markkinoille. Lisäksi havainnot viittaavat siihen, että vahva keskittyminen SIB-malliin on toisinaan saattanut hämärtää SIB-käsitteen ja vaikuttavuusinvestoinnin käsitteen välisiä rajoja.

Asiasanat	vaikuttavuussijoittaminen, vaikuttavuusinvestoiminen, tulosperusteinen rahoitussopimus, SIB-sopimus
Muita tietoja	

UNIVERSITY
OF TURKU
Turku School of
Economics

SEIZING THE MOMENTUM: THE RISE OF IMPACT INVESTING MARKET IN FINLAND

Master´s Thesis
in International Business

Author:
Sonja Sainio

Supervisors:
D.Sc. Elina Pelto
D.Sc. Milla Wiren

27.12.2018
Turku

Table of contents

List of figures

List of tables

1 INTRODUCTION

1.1 The role of capital markets in addressing the 21st-century global problems

It has become evident that tackling the complexity and the scale of the 21st-century challenges requires innovative approaches and collaboration between different actors and providers of capital (Bugg-Levine & Emerson 2011, 12; Social Impact Investment Taskforce 2014a, 34; Bishop & Green 2015, 542). Although the number of people living under the international poverty line fell from 1.7 billion in 1999 to 767 million in 2013 (United Nations 2017, 16), much remains to be done. In 2017, around 83 million people required emergency food assistance signalling a 70 per cent increase compared to the year 2015, the unemployment rate among young people between 15-24 was 60 % and only about half of the world's elections were considered free and fair (World Bank 2017). Developing economies have not caught up with the developed economies as expected, which requires new ideas as well as ways to implement them (Martin 2015, 109–110).

Traditionally, addressing the problems of the society has been the responsibility of governments, charities and philanthropists. However, the dissatisfaction for the ineffectiveness of charitable models as well as with the ability of governments to get to grips with certain issues has increased. Governments operate under limited resources and on the other hand, the third sector organisations' dependency on charitable funding is one of the reasons they have not reached their full potential in terms of effectiveness, scale and innovations. (Bishop & Green 2015, 542; Brandstetter & Lehner 2015, 91; Calderini et al. 2018, 66.) Therefore, the private sector has been considered as an important force in eradicating poverty (Clyde & Karnani 2015, 20). Furthermore, there is a crying need to bring the different actors to the same table, including governments, philanthropists, social sector and businesses alike (Social Impact Investment Taskforce 2014a, 39).

The importance of the societal impact that businesses make is especially highlighted by the younger generations. The generation Y, also referred as the millennial generation or "the millennials", is becoming more influential as they are taking over authoritative positions and managing a relatively larger share of nations' assets. This generation highlights social aspects in their values and aspires to find innovative solutions to the global challenges. (Martin 2015, 110; Naatus & Corea 2016, 132.) Moreover, according to the

Deloitte Milleanial survey[1], 76 % of the respondents see businesses as generators of positive social impact, 62 % see business leaders being committed to helping society and 65 % think that businesses behave ethically (Deloitte 2017, 7–8). The respondents expressed, at least to a certain extent, feeling accountable for addressing the issues of today and feel most empowered to do so through their work (Deloitte 2017, 13).

The lines have started to blur between the non-profit and for-profit world and new approaches have emerged in the capital markets both in the investor side and in the organizational side. In the organizational side, particularly social enterprises (SEs) are seen as potential drivers of change as they seek to integrate people, planet and profit aspects within the same model (Martin 2015, 110,115). Similarly, the investors are rejecting the conventional way of thinking that they have to choose between investing for profit or donating for social causes (O'Donohoe et al. 2010, 5).

Over the last decade, one topic that has especially sparked interest in the business and public policy debate is impact investing, an idea that investors can simultaneously pursue financial returns while intentionally seeking to solve social and environmental challenges (Bugg-Levine & Emerson 2011, 10; Social Impact Investment Taskforce 2014a, 1; Trelstad 2016,3). In other words, this new way of thinking involves both doing well (in terms of profits) and doing good (in terms of meeting social and environmental needs). This approach has also been referred to as a blended value approach or seeking triple bottom line re-turns. (Mendell & Barbosa 2013, 111; Mitchell 2017, 752.)

Impact investing as a term and as a growing industry is based on two meetings convened by the Rockefeller Centre in 2007 and in 2008 (Freireich & Fulton 2009, 69). The meeting groups consisted of a variety of investors who had been putting their assets in such initiatives as green technology and microfinance, but above all, shared a common interest to channel their capital to something positive (Bugg-Levine & Emerson 2011, 12). Since then, the efforts to build a formal impact investing market have significantly increased. This includes establishing investor networks, such as the Global Impact Investing Network (GIIN), creating standards for impact evaluation and measurement such as the Impact Reporting and Investment Standards (IRIS), setting up online databases for searching investment products such as ImpactBase and establishing rating agencies such as the Global Impact Investing Ratings System (GIIRS) (Höchstädter & Scheck 2015, 450; Ormiston et al. 2015, 354). The countries that have particularly sought to seize the opportunities of impact investing are Anglo-Saxon countries UK, USA, Canada, and Australia (Michelucci 2017, 2685). Furthermore, several other countries have embarked on this journey as well and there exists ample room for impact in-

[1] The survey is based on nearly 8000 respondents across 30 countries. The respondents were born after 1982. (Deloitte 2017, 2).

vesting opportunities in the fast-growing markets contexts, such as China, India and South Africa (Freireich & Fulton 2009, 16; Daggers & Nicholls 2016,4).

1.2 Harnessing the potential of impact investing

The 2008 global financial crisis has further highlighted the need for rethinking the role of finance and the governments all over have seen well and clear the need to go beyond the charitable models (Bugg-Levine & Emerson 2011, 14). In 2013, under the UK's presidency of the G8, the Prime Minister David Cameron announced the establishment of an independent taskforce to globally advance the growth of the impact investment markets. The Social Impact Investment Taskforce included the EU and national advisory boards from United Kingdom, United States, Canada, France, Germany, Italy, Australia and Japan, each producing their own report of the efforts needed at a national level to catalyse the markets. (Social Impact Investment Taskforce 2014a.) In August 2015, the Global Steering Group for Impact Investment (GSG) was established to continue the work of the taskforce, and it currently has 21 countries and the EU as its members (Gsgii.org/About GSG).

In 2009, Monitor Institute (Deloitte) evaluated the state of the impact investing market as somewhere between uncoordinated innovation and market building phase, where the activities had started to centre and infrastructure develop. The authors state that in order to capture the total value of the marketplace and to reach a mature stage, the actors need to create a shared language and find common ground in terms of opportunities and challenges. (Freireich & Fulton 2009, 12–13.) However, perhaps McKinsey & Company's recent article is the latest publication estimating the current state of the market as well as required action. The authors present a vision about a full-fledged impact economy where different societies and nations at large place equal value to social impact and financial impact when determining how to allocate resources. According to the authors, the market is currently experiencing a positive trend in terms of greater asset allocation to impact investments and the variety of investment instruments available for such investments has increased. (Fine et al. 2018). Indeed, impact investments are gaining stronger foothold in the capital markets, and according to the GIIN's Annual Impact Investor Survey, in 2017 the value of the impact investing assets under management was USD 228.1 billion, increasing from the previous year's value of around USD 114 billion (GIIN 2017, 18; GIIN 2018, 21). By comparison, however, this still falls far short from the additional spending required to achieve the UN's Sustainable Development Goals by 2030, estimated in the range of 1.4 to 2.5 trillion dollars (Fine et al. 2018).

Moreover, the viability of the market also depends on the creation of a thriving base of impact enterprises that are able to provide the solutions to social and environmental challenges. However, the current state of the market suggests that impact enterprises have not either become the norm of the society or managed to scale their activities. They tend still to be neglected compared to more profit-oriented enterprises when seeking financing. In addition, there is a need to set tools and reporting standards for the measurement of impact that would enjoy the widespread adoption as for example International Financial Reporting Standards in finance and accounting. (Fine et al. 2018, 7,9.) Indeed, so far, impact investing has remained as a niche market among the mainstream financial markets (Michelucci 2017, 2686; Calderini et al. 2018, 67) and many authors have noted the several impediments that hindrance the development of the market (see e.g. Glänzel & Scheuerle 2016).

1.3 The aim of the study and individual objectives

Impact investing as its own research field among academia has only recently started to develop and still falls far short from the practitioner provided research and reports on the topic (Daggers & Nicholls 2016, 3). Although the scarcity of research is indeed noted (see also e.g. Brandstetter & Lehner 2015,91; Ormiston et al. 2015, 354; Roundy et al. 2017, 492), it is not due to a lack of interest in the topic. On the contrary, it seems that impact investing has generated widespread enthusiasm (Clarkin & Cangioni 2016, 141). Rather, the lack of proper core of ideas, theory or data creates a substantial barrier on which the research could be built upon (Daggers & Nicholls 2016, 3). Building on the previous arguments, the starting point for this study was to address the identified gap in the academic literature by conducting empirical research in Finland. Focusing on the Finnish market diversifies the geographical focus of the existing research, which is currently heavily biased towards the UK and the US (Daggers & Nicholls 2016, 10,17).

If impact investing is a new phenomenon in the global context, it certainly is so in Finland as well. The first activities around impact investing started only very recently – in 2014. Moreover, through the preliminary search of the existing literature, it was revealed that the research on the Finnish impact investing market consists only of a handful of publications. Therefore, the aim of this study was to conduct an initial mapping of the Finnish impact investing market. The following objectives were identified as important to achieve the stated aim:

1. to examine how the concept of impact investing is understood in the Finnish context
2. to examine the structure of the market ecosystem including existing actors, investment instruments and supportive measures

3. to explore the perceived opportunities of impact investing that encourage participation in the market
4. to identify the perceived challenges that impede participation in the market

To meet these objectives, this study first examined the existing international research on impact investing, on the basis of which the literature review was written. Regarding the empirical data collection, ten interviews were conducted with individuals who represent different roles in the market ecosystem. As there is little research on the Finnish market, it was considered important to include the perspectives of the different actors in the study.

The first part of this study consists of the literature review on impact investing. Chapter 2 begins with outlining the main features of the previous research as well as explains the different streams of literature that have a connection to the impact investing field. Here, it is also justified what literature this study utilizes and why. The discussion then moves on to examine the definition of impact investing including its key elements, boundaries to other investment strategies as well as alternative terms used. After this chapter, the perspective is turned into the more practical issues in impact investing. In other words, chapter 3 gives an overview of the market ecosystem structure as well as the current challenges observed in the literature. In addition, a more closer look is provided on a specific investment instrument of impact investing - the Social Impact Bond (SIB) model. This instrument was identified quite early on to have a significant role in the Finnish market; therefore, it is justified to examine the existing literature on this instrument in more detail.

In chapter 4, the research design for the empirical part of this study is explained and justified. This covers the methods for collecting and analysing data as well as the evaluation of the trustworthiness of the study. The findings that were collected with the presented methods are then explored in chapter 5 and the conclusions on those findings are discussed in chapter 6. Here, a few suggestions for the future research are also given as well as perspective on the limitations of this study. Finally, chapter 7 provides the summary of the aforementioned chapters and it is the final chapter of this study.

2 IMPACT INVESTING DEFINED

2.1 Existing research on impact investing

The current research on impact investing relies heavily on practitioner contributions. This is demonstrated by the extensive literature reviews by Höchstädter and Scheck (2015) and Daggers & Nicholls (2016) of which the first literature search produced 16 academic contributions and 140 practitioner contributions, and the second 73 academic papers and 261 practitioner reports (Höchstädter & Scheck 2015,452; Daggers & Nicholls 2016, 10, 16). Moreover, the existing research demonstrates that there is no unified agreement on the definition of impact investing but a variety of terms are used at the moment (see also Harji & Jackson 2012, 7; Clark 2016, 7; GIIN 2017, 13). In the early days of impact investing, allowing the boundaries of the concept to be broad was somewhat intentional as it was deemed to encourage a more widespread adoption of the practice (Trelstad 2016,3.) Partly the broadness of the definition is also due to the fact that practitioners are dominating the field and they usually place more emphasis on the achieved impact rather than exact definitions (Höchstädter & Scheck 2015, 461).

However, the broad boundaries of the concept are nevertheless problematic. Without a clear understanding of what exactly counts as impact investing, the governments are not able to provide targeted support for the development of the market (Höchstädter & Scheck 2015,451) and the investors find it difficult to identify "genuine" impact investment opportunities and likeminded partners with similar interests (Freirich & Fulton 2009, 22; Clark 2016, 8). On the research side, the lack of a unified term makes it difficult to build a solid theoretical foundation and identify previous research on the topic (Daggers & Nicholls 2016, 6).

As, in the academic sense, a proper definition of the concept is indeed important, the following chapters provide an overview of the existing definitions. The contributions of Höchstädter & Scheck (2015) and Daggers & Nicholls (2016) were used as a base upon which to build the conceptual discussion in the following chapters, yet leaving room to include author's own remarks and observations on the collected literature. Relying heavily on the above-mentioned studies was justified for several reasons. First, when conducting the literature search in this study, the newness of the topic became apparent as many of the identified journals and academic articles were not included in the "free access" selection of the University's database. This is why it was decided that utilizing Höchstädter & Scheck (2015) and Daggers & Nicholls (2016) as a core was the best approach. Moreover, these two contributions give an extensive account of the prevailing understandings of the concept and complement each other very well. The work of Daggers & Nicholls (2016), presents the different research disciplines that have engaged in the debate (finance and economics, third sector research, business and management and public policy and social policy) and the type of the existing works (conceptual/theoretical, landscaping/scoping and empirical). Höchstädter and Scheck (2015) then again, dig deep into the key conceptual elements of impact investing in the existing literature.

Furthermore, it is important to mention that although impact investing field itself lacks research, other types of literature could be used when studying the topic from a certain perspective. Therefore, an extensive mapping of one of the related fields combined with the literature on impact investing could prove to be a fruitful approach. Below is an illustration of some of these potential fields that could be reviewed for the existing literature and used in parallel with the research on impact investing. These include literature on 1) socially responsible investing (SRI), 2) social entrepreneurship / social enterprises (SE), 3) outcomes-based contracting and 4) social impact measurement. The suggested approaches are based on the understanding that was gained by conducting a literature review in this study.

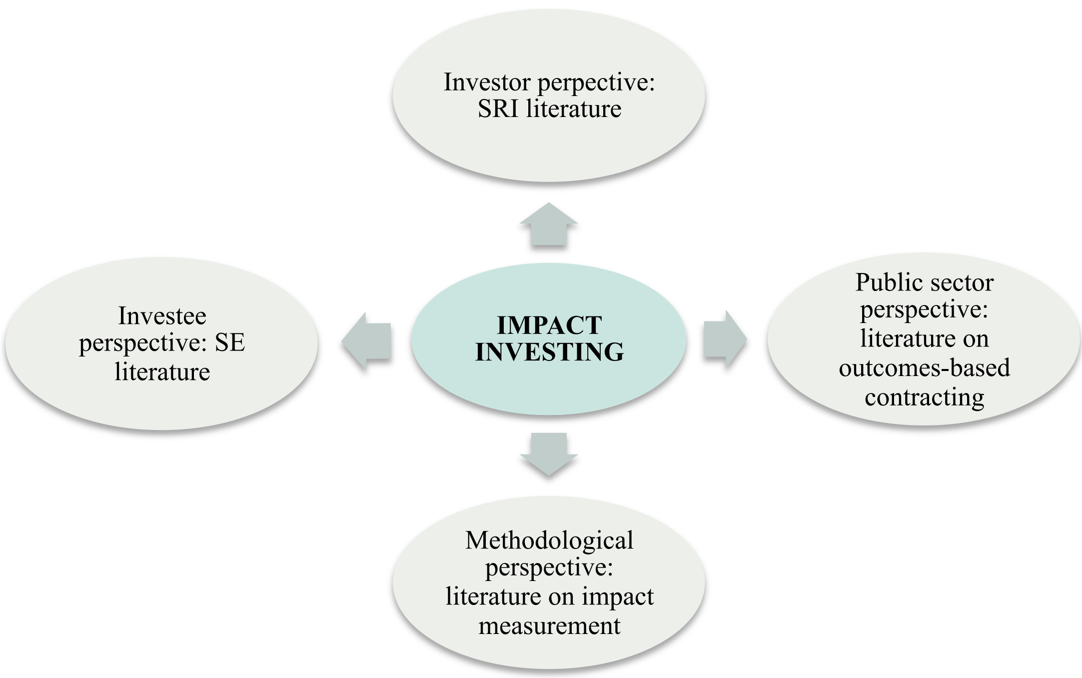

Figure 1 Possible approaches to conducting research on impact investing

Some of these related topics are referred to throughout this study. First, the SRI field is one of the most commonly related terms to impact investing (see Höchstädter & Sheck 2015, 455). This link is briefly explored in conjunction to explaining where impact investing sits within the spectrum of capital. Second, the relationship between impact investing and literature on SEs is demonstrated in chapter three, when exploring the different actors in the impact investment ecosystem. This relates specifically to the difficulties of SEs to get funding and how providing capital to SEs is considered to be one of the potential roles of impact investing.

Reviewing the existing literature on outcomes-based contracting, in turn, could be possibly beneficial in research, which focuses on a specific type of impact investments that use social impact bond (SIB) as the vehicle of investment. SIBs are currently especially leveraged by the public sector and have lately attracted increasing interest (see e.g. Fraser et al. 2018, 5). However, for the reader that is not familiar with the concepts, it should be explained that outcomes-based contracting is not a synonym to SIB but rather a broader movement that includes different types of contracts emphasizing the outcomes. In any case, examining other outcomes-based contracts in parallel to research on SIBs could be one way to go in the future research. Finally, developing proper tools and frameworks for measuring the impact of investments is one area that is mentioned as most critical for the viable future of impact investing field (see e.g. Daggers & Nicholls 2016, 22).

However, the literature used in this study is mainly limited to the works that particularly examine impact investing, and on a more general level. This is justified by the following reason. As explained earlier, the main aim of this study was to map out the general landscape of impact investing in Finland and therefore giving a good overview of the various elements of the market is relevant for this study. It is not within the scope of this study to examine the market from a specific perspective and therefore to include related literature.

2.2 Impact investing within the broad spectrum of capital

Although the concept of impact investing may be new, the elements of it have existed for centuries. That is to say, the impact investors are not the first group of people to think that our investment decisions may have broader consequences on the society and that a third dimension, social impact, should be introduced in the capital markets. (Michelucci 2017, 2686; Bugg-Levine & Emerson 2011, 11.) However, until the end of the 20th century, the capital market was mainly divided into the profit-pursuing side and the philanthropic side. The investors primarily focused on maximizing their profits with little consideration to the social or environmental aspects. On the contrary, philanthropists focused on charitable giving with no financial return expectations and pursued maximum social or environmental value (Trelstad 2016, 5). However, this dichotomy started to evolve when both the investor and the philanthropic side engaged in new practices that enhanced the integration of the financial and non-financial objectives.

First, in the 1960s and the 1970s, socially responsible investing (SRI) emerged in the capital markets. The SRI practice started by negative screening, i.e. encouraging investors to exclude unethical investments from their portfolios such as those related to tobacco or weapons. At the same time, the philanthropic side introduced program-related investments (PRIs) as a way to finance societal programs with other means than just grants. (Trelstad 2016, 5–6.) Moreover, in the 1990s and early 2000s, the investors started to select investment more actively on the basis of their social or environmental aspects; a practice that was at the time labelled as sustainable investing. Indeed, it can be considered that the creation of impact investing in the 2000s was due to the foundations and interaction between the sustainable investing and the players that emerged from the PRI practice. (Trelstad 2016, 7.)

Furthermore, it can be added that already in 2003, Emerson developed and brought forward an idea, Blended Value Proposition (BVP), which refers to the maximization of social, environmental and economic value at the same time. Some consider it to be the earliest contribution to the topic of impact investing (Clarkin & Cangioni 2016, 143). The BVP framework acknowledges that people are neither purely economically or socially oriented beings but seek both wealth and social justice at the same time (Bugg-Levine & Emerson 2011, 12). To develop this idea further, the author argued that new concepts, frameworks and tools are needed as well as an established way of measuring the created total value (Emerson 2003, 38–39).

Currently, impact investing is often regarded as fitting into the middle of the philanthropy–investment continuum (Freireich & Fulton 2009, 11). The following table illustrates this matter.

Table 1 Impact investing in the investment–philanthropy continuum (Adapted from Social Impact Investment Taskforce 2014b, 7; Brandstetter & Lehner 2015, 89)

Traditional investing	***Responsible investing***	***Sustainable investing***	***Impact investing***	***Philanthropy***
Financial return considerations				
Maximizes financial returns Selecting investments based mainly on financial return and risk considerations	ESG considerations		Impact considerations	
	Mitigates environmental, social and governance (ESG) risks Selecting investments through negative screening, i.e. excluding "harmful" businesses and industries from portfolio	Pursues environmental social and governance (ESG) opportunities Selecting investments through positive screening, i.e. including "good" businesses and industries in portfolio	Actively targets solutions that address social or environmental challenges Selecting investments based on their capability of producing both impact and financial returns Impact is measured	Actively targets solutions that address social or environmental challenges Selecting investments based on their capability of producing impact Impact is not necessarily measured

In this continuum, impact investing differs from the philanthropy in the sense that it expects financial returns alongside non-financial impact, therefore excluding pure grants (Freireich & Fulton 2009, 14; Ormiston et al. 2015, 353). Therefore, unlike investors who divide their money into the different "buckets" of investing and donations, impact investors integrate their personal values and profit objectives. The generation of profits is considered a necessary factor that allows investors to continue investing in social objectives. Moreover, they believe that a market-based approach can be an effective and more sustainable way to address social challenges. One rationale for this is the fact that unlike project-specific grants, the capital they provide can be used for other business purposes as well, thus helping the recipient of the capital to scale the business. (Roundy et al. 2017, 500–502.)

On the other hand, distinguishing impact investing from responsible investing and sustainable investing is not that straightforward. Like impact investing, SRI takes social return aspect into account in the portfolio management (Combs 2014, 13). In fact, impact investing is sometimes regarded as an evolution from the SRI (Hebb 2013, 71).

However, what motivated the investors to create the concept of impact investing was that, at the time, the aforementioned terms were seen to put too much emphasis on environmental issues instead of fully considering the wide array of societal challenges. In addition, the SRI practice had a long tradition in negative screening. (Bugg-Levine & Emerson 2011, 12.)

Therefore, although sharing similar characteristics, impact investing is rarely considered as a subtype of SRI. Instead, impact investing is understood as being distinct from it, in some way going beyond the traditional SRI approach in terms of the greater level of proactiveness in pursuing social or environmental objective. While SRI practices may include the active integration of ESG considerations in the investment decision, they still tend to highlight the financial returns aspect. Furthermore, SRI investments are often seen to focus more on large and publicly listed organizations whereas impact investment's focus lies on smaller investees. Finally, some authors separate SRI from impact investing in terms of the financial return and risk profiles. These distinctions consider impact investors more willing to accept less competitive financial returns, which may not be in relation to the risk carried in the investment. (World Economic Forum 2013, 8; Social Impact Investment Taskforce 2014a, 18; Höchstädter & Scheck 2015, 455–456; Ormiston et al. 2015, 353; Petrick et al. 2016, 13.)

2.3 Alternative terms to impact investing

First of all, the relationship between the terms impact investing and **social investing** is somewhat unclear. According to the literature, there exist three different understandings on the matter. First, many authors have used the terms social investment and impact investment as synonyms for each other, the first one being more common in Europe, and particularly in the UK, while the latter term is preferred in the US market (Daggers & Nicholls 2016, 7, 10; Höchstädter & Scheck 2015, 454–455). Second, there also exists understanding according to which social investment is a specific type of impact investing that focuses on certain organizations or on investments prioritizing impact over financial profit. However, in the third view this relationship is turned the other way around. In other words, social investment is an umbrella term and impact investing is a specific sub-type of it. (Höcstädter & Scheck 2015, 454–455.) For example, Freirich and Fulton (2009,14) follow the third categorization manner. The authors state that social investing can refer to: 1) investments that screen out harmful activities, 2) investments that reflect the investor's values but do not necessarily seek positive impact and 3) investments that are explicitly made to achieve social or environmental impact. The authors argue, that it is this latter type of social investing, which can be regarded as impact investing.

An interesting contribution to this debate is the work of Daggers and Nicholls (2016) who make a clear distinction between these two terms. According to the authors, the concept of impact investing tends to emphasize the investor side including their motivations and behaviour, whereas the concept of social investment is concerned about the organizations and their funding mechanisms. Therefore, the authors suggest combining these two distinct terms into **social impact investing**, which brings together the both sides of the matter. The authors group the term social impact investing under the umbrella term social finance, alongside a variety of other terms such as crowd-funding and social enterprise funding. (Daggers & Nicholls 2016, 6–7.) Other authors have adopted this view too, stating that social impact investing is one of the modern forms or innovations within the social finance field (see e.g. Mitchell 2016, 758; Calderini et al. 2018, 66).

Furthermore, the term social impact investing has also been used synonymously with impact investing (see e.g. Social Impact Investment Taskforce 2014a, 1) or as a way to identify the type of impact investments that prioritize the non-financial impact over financial returns. The latter view was suggested and adopted by Glänzel & Scheuerle (2016, 1640, 1643–1644) who claim that where financial considerations dominate and where investees are able to generate competitive financial returns, there may be less need for impact investments. Thus, more traditional approaches are sufficient to fill the financing needs of the businesses and organizations. On the contrary, social impact investments are needed to fill the demand of those that are not capable of reaching market rate returns.

Throughout this thesis, the term **impact investing** is used, and it includes also the references made to those studies where the authors have used either the term social investing or social impact investing. This is justified by the following reasons. To begin with, this thesis includes only the studies that can be considered to speak about the same phenomenon, although they may use different terms. Furthermore, the literature search revealed that using the keyword impact investing produced the most relevant studies that were related to the interest of this thesis. On the contrary, the term social investing has long roots and using this term in the literature search produced also search results that were not relevant for this thesis. Finally, impact investing and social impact investing are sometimes used synonymously within the same study. For clarity, however, only one term is used in this thesis.

2.4 Key elements of impact investing

Although there exists varying definitions of impact investing, Höchstädter and Scheck (2015, 453) argue that, at least on a general level, there seems to prevail consensus on the key elements of impact investing. Two key factors commonly associated with the concept of impact investing are the pursuit of financial returns as well as seeking some kind of non-financial impact. Many of these definitions also mention that the non-financial impact should be intentional and measured. The figure below illustrates the core elements of impact investing.

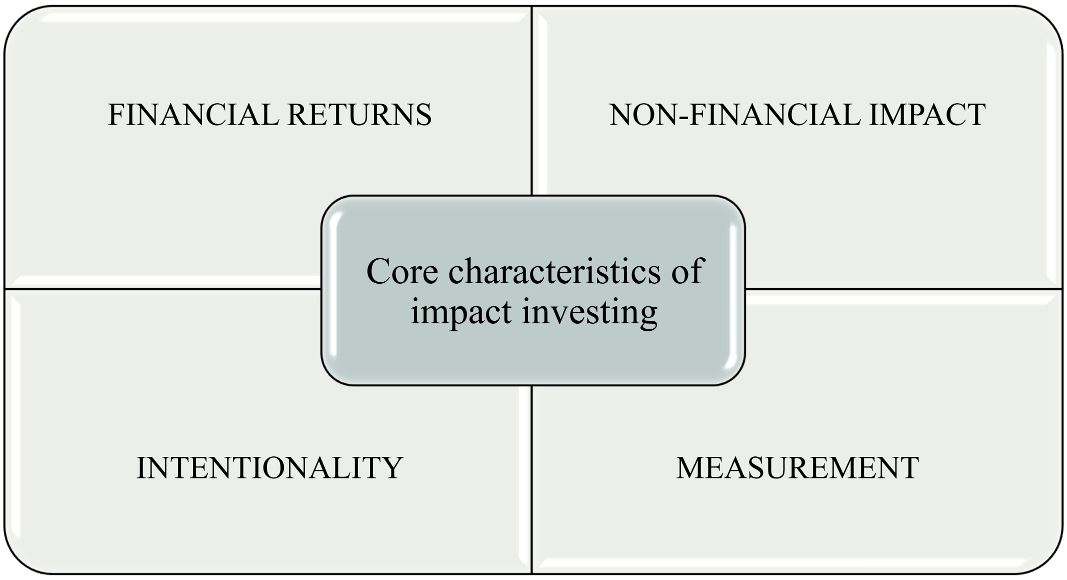

Figure 2 Core characteristics of impact investing

The discussion now turns on to a more detailed examination of the different elements of impact investing. First, the financial return aspect, although seemingly self-evident, actually is an issue that currently divides the market into different types of investors. Second, the impact aspect is even more ambiguous concept. Intentionality and measurement are directly related to the impact dimension, and therefore discussed in this section.

Defining the first element, financial returns, is often left rather vague in the literature. This applies to both academic and practitioner literature, which either ignore this aspect altogether, or present that the level of financial return in impact investments varies from below-market to market and even above-market rate. At minimum, the return of the invested principal is required. (Höchstädter & Scheck 2015, 453.) Various authors have approached this matter by categorizing the investors according to whether they highlight the social or financial returns. *Impact first investors* mainly aim for the social or environmental impact and therefore accept lower financial returns if necessary. On the contrary, *financial first investors* highlight the achievement of competitive market rate returns and therefore may consider less the impact achieved. (Freireich & Fulton 2009, 31–33.)

However, there is a debate on whether this trade-off between financial and non-financial returns actually exists and if the market should be categorized in this manner. According to Trelstad (2016, 7) impact investors believe they can achieve both market rate returns and measurable impact when investing in business models that target social or environmental problems. Furthermore, this categorization into impact first or financial first investors has had the unintended consequence of creating dichotomies, although in reality, the interplay between these two components is much more diverse. Even those that do target market rate returns would like to better understand the difference in the level of impact between the different investments options. Because of this dichotomy, some investors have chosen not to identify themselves as impact investors as they worry being considered as investors who are willing to sacrifice financial returns. (Clark 2016, 9, 11.)

The concept of impact has been approached in various ways in the existing literature. On a general level, impact is commonly understood as some sort of social and/or environmental impact (Höchstädter & Scheck 2015, 454) and some authors incorporate both social and environmental considerations under the term social impact (see e.g. O'Donohoe et al. 2010, 5). Moreover, the impact can be examined in terms of what is the geographic, demographic or sector focus of the investment. The following discussion looks at these different ways to define the impact dimension.

To begin with, Höchstädter and Schech's analysis (2015, 457) did not find support in their literature review that impact investing must target specific geographies such as emerging or developing markets or focus on underserved demographic groups, such as poor or marginalised groups of individuals. However, in practice, many investors tend to focus on either the developed markets or the emerging markets depending on their personal values, and their specific expertise regarding different locations (O'Donohoe et al. 2010, 21). Moreover, there exist also different views regarding the relationship between the geographic focus and the impact achieved. Some have adopted a view according to which targeting the poor or underserved markets would naturally lead to positive social impact while others argue that the geographical focus in itself is not enough to qualify investment as an impact investment (Bugg-Levine & Emerson 2011, 13, Daggers & Nicholls 2016, 18). For example Freirich and Fulton (2009, 14) present that impact investing does not assume that targeting poor consumers automatically means that a positive impact will be achieved. In fact, when considering the extent and the severity of the problems in these markets, it may be easier to "exceed the threshold for the required impact" and thus label the action as impact investing (Höchstädter & Scheck 2015, 457).

Similarly, it seems that impact investing is not limited to certain impact objectives or business sectors, although some sectors may be targeted more often than the others (Höchstädter & Scheck 2015, 457). In practice, investor tends to start specifying either the impact objective or a specific sector when going about implementing impact investment. Moreover, the impact investors may attend to promote more than one impact objective. Sometimes it is also closely related to a specific sector, for example, an impact objective that pursues improving health is closely related to the health sector. However, many impact objectives can be applied across various sectors such as providing the Bottom of the Pyramid (BoP) segment access to income. (O'Donohoe et al. 2010, 18–19.)

The underlying mechanism of how impact is generated for beneficiaries and stakeholders is hardly mentioned in the literature (Höchstädter & Scheck 2015, 457). While impact objective relates to investor's preferences, the underlying mechanism of impact investing relates to the means by which the recipient of impact capital generates the desired impact. For example, O'Donohoe et al. (2010, 19) present that impact can be achieved through processes or products: employing people from an underrepresented or unemployed group of people or producing solar lamps for people lacking access to electricity grids, for example.

Regardless what is the specific impact objective of the investment, it has to be *intentionally* (Harji & Hebb 2010, 5; Hebb 2013, 71; Wood et al. 2013, 75) *actively* (Freirech & Fulton 2009, 5), *explicitly* (Louche et al. 2012, 307) or *deliberately* sought (Daggers & Nicholls 2016, 6). The measurement then again, is seen as an important requirement in order to avoid the potential "social washing" of the term (Petrick et al. 2016, 14). In other words, instead of treating measurement as an afterthought matter or a marketing trick, it has to be understood as a vital element of the operations (Bugg-Levine & Emerson 2011, 13). However, further qualifying the required level of impact remains somewhat ambiguous. Therefore, this assessment of the impact tends to be rather subjective and dependent on the individual perceptions and investments. Moreover, the field is currently lacking proper and unified standards and tools to do so. (Höchstädter & Scheck 2015, 454.)

3 BUILDING AN IMPACT PRACTICE

The purpose of this chapter is to present the general ecosystem and market structure of impact investing as well as the current challenges according to the international literature. This was deemed necessary, as the empirical part of this study provides perspectives from different actors in the ecosystem and the challenges relate to different structural elements of the market. The latter part of this chapter gives a more detailed account on a specific type of investment vehicle used in the market – the social impact bond (SIB) model. This was justified based on the context of this study, as the Finnish market is especially using SIB as its impact investment vehicle.

3.1 Impact investing ecosystem

Like any other market, the ecosystem of impact investing market consists of the demand side, the supply side and intermediaries (Social Impact Investment Taskforce 2014a, 2). Various actors have named and categorized the different elements of the ecosystem in slightly differing ways, however, based on the same principles. In simply stated, the supply side of the equation consists of the impact investors and the demand side consists of the organizations that receive the capital, and aim to generate the desired impact. Intermediaries are the “middle-men” who match the supply and demand of capital. Following figure in the next page helps to illustrate the general structure of the ecosystem, which is then discussed in further detail.

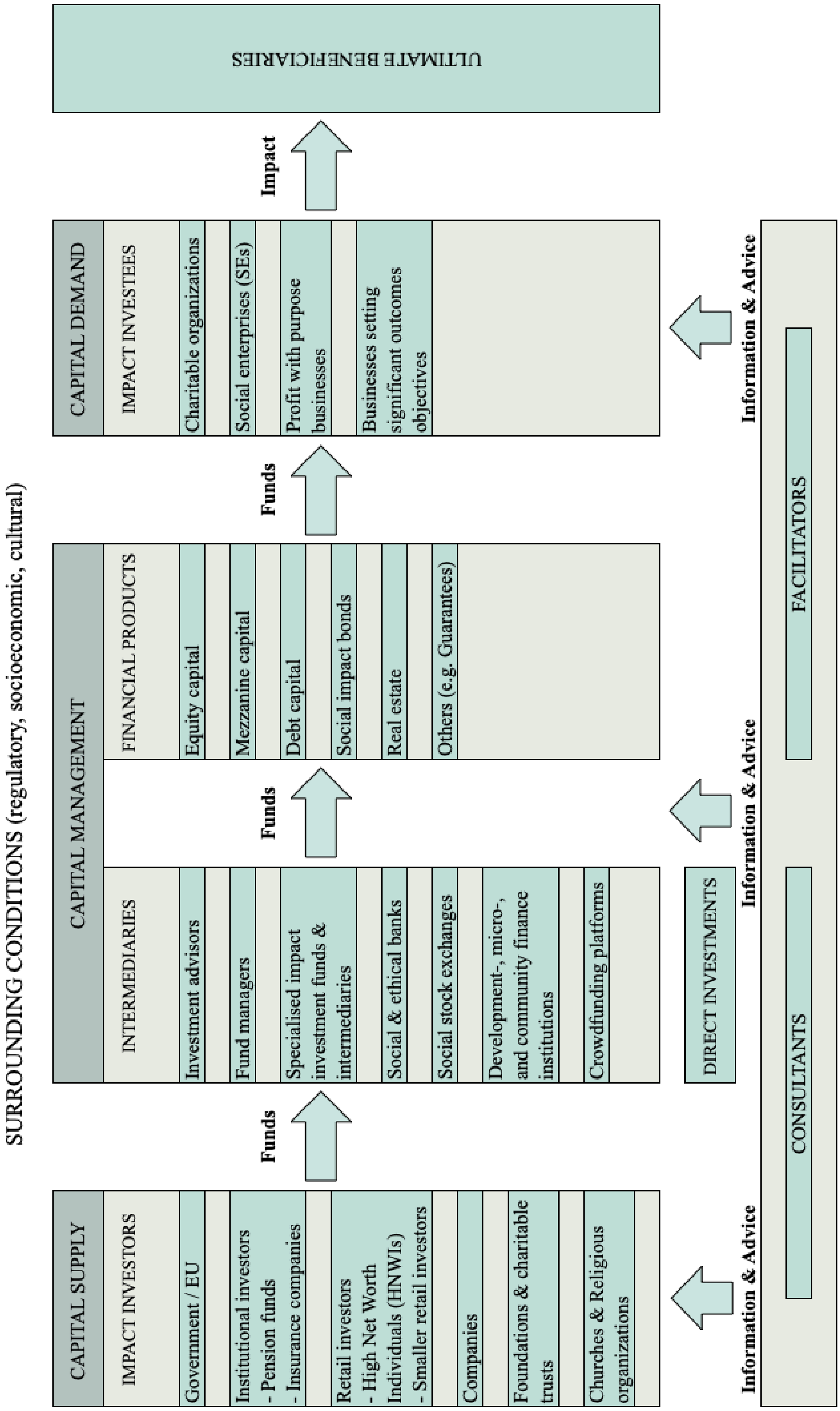

Figure 3 Impact investing ecosystem (Adapted from Social Impact Investment Taskforce 2014a, 3; Lütjens–Schilling & Scheck 2015, 13; Petrick et al. 2016, 15)

The above figure shows that there are numerous potential ecosystem actors and vehicles for investments. Moreover, it is good to point out that one actor may have varying roles in the ecosystem. For example, government can be either the commissioner of outcomes (representing the demand side) or a source of capital (representing the supply side) (Social Impact Investment Taskforce 2014a, 3). Similarly, same entity can either be the owner of the capital or act as an intermediary who manages the capital and impact investment on the behalf of the asset owner.

Impact investments utilize same kind of instruments as traditional finance, currently the three most common ones being 1) private debt 2) private equity and 3) public equity. The rest of the deployed investments fall to categories of real assets, public debt, deposits and cash equivalents, equity-like debt and other (social impact bonds, revenue share agreements, swaps, and guarantees). (GIIN 2018, 27.) According to Bugg-Levine & Emerson (2011, 13) private equity and direct lending may be the most appropriate vehicles for impact investments because of their ”unmatched power” in generating social impact.

The demand side has collectively been referred to as demand side actors (Harji & Jackson 2012, 9), impact investees (Lütjens–Schilling & Sheck 2015, 13), impact-driven organizations (Social Impact Investment Taskforce 2014a, 3) and impact enterprises (World Economic Forum 2013, 15; Fine et al. 2018, 7). In addition, Social Impact Investment Taskforce (2014a, 3) includes impact-driven purchases in the demand side, which consists of actors such as governments as commissioners of outcomes and socially minded corporate purchasers of goods and services. This taxonomy is a bit confusing as these impact-driven purchasers are not those who receive capital to generate the impact themselves. Rather, they are the source of revenue for impact-driven organizations through acquiring their goods and services as they see these organizations and their products being beneficial for the larger population.

Generally speaking, however, the demand side actors are united by the will to generate both profit and impact like their counterpart impact investors (Social Impact Investment Taskforce 2014a, 8). Referring to their organizational or legal structure, this is actually rarely mentioned in the literature and described in broad terms including both business and non-business structures, i.e. including also projects, programs or initiatives. However, sometimes a more detailed description is given, for example by characterising the recipients of impact capital as private, unlisted organizations. In addition, they have also been referred to as organizations prioritizing their mission, either explicitly stating so or by indication of their business model, like in the case of social enterprises. (Höchstädter & Shcekc 2015 458–459.)

While the impact-driven organizations can take many forms, it seems that one aspect that is used to draw a line between those that could receive impact investments and those that do not qualify as investments targets, is that the latter ones depend on donations and grants. For example, Petrick et al. (2016,38) characterize the recipients of impact investing capital as impact-driven organizations varying from for-profit blended value social enterprises, to mission-locked social businesses (at least covering all their costs) to social benefit enterprises (at least covering 50-75% of their costs). However, they exclude charitable and donation dependent organizations with little to no turnover. Similarly, Social Impact Investment Taskforce (2014a, 9–10) characterizes in its report that impact-driven organizations can include both social sector organizations (SSOs) and profit with purpose businesses, but organizations incapable of generating financial return do not qualify as recipients of impact capital.

In fact, finding new ways to finance both SSOs and SEs has at least partly motivated the emergence of impact investing as they have earlier mainly depended on grants and donations (Social Impact Investment Taskforce 2014a, 9; Clarkin & Cangioni 2016, 137). Although grants have been a valuable source for them to gain initial seed funding, there are several issues that come with them. Namely, one fundamental issue is that grants are usually tied to a certain project, therefore cannot be used to other business development purposes and to accommodate the needs of the growing business (Martin 2015, 120). Moreover, according to the O'Donohoe (2010, 15), this co-requirement for both financial returns and impact can foster the development of financially sustainable business models, therefore enabling the organizations to bring their impact to scale.

The supply side, in turn, provides the capital for the generation of impact, either directly or through an intermediary organization or a fund. In the supply side, foundations have been particularly active to engage in impact investing (see e.g. Calderini et al. 2018, 73), as well as high net worth individuals (HNWIs) and family offices (see e.g. Harji & Jackson 2012, 16). Development finance institutions have had a foundational role too, especially as first movers to sectors or geographies, which have lacked previous engagement from investors (World Economic Forum 2013, 12–13). However, particularly institutional investors, such as pension funds and insurance companies, are considered to play a key role in scaling the market. With an estimate of about 20 trillion dollars assets under management, they can help to grow the market but also give it legitimacy in the eyes of other investors, asset management intermediaries, policymakers and service providers (Wood et al. 2013, 75–76; Brandstetter & Lehner 2015, 88). Many of the prominent players in this group have already adopted responsible investing strategies and committed to the UN Principles for Responsible Investing (UNPRI) (Harji & Hebb 2010, 6). At present, however, the proportion of the institutional investors remains marginal (Calderini et al. 2018, 73).

In addition, this thesis includes an interesting contribution that provides another potential group of impact investors that is rarely mentioned. According to Louche et al. (2012, 307), religious organizations have been active players in impact investing and in responsible investing from the very beginning of these movements, although their role is often neglected in the literature. Based on a survey conducted among religious organizations, 77 per cent of 103 respondent organizations practiced impact investing, with even bigger per cent practicing other forms of responsible investing. Furthermore, the authors state that this clear interest in impact investing may well derive from the fact that they see these types of investments as a good match to their ideological preferences. (Louche et al. 2012, 309–310, 316.)

As presented in the previous discussion, the impact investors consist of a very heterogeneous group of actors, and they each may have their own set of motives driving their participation (see e.g. Harji & Jackson 2012, 15). These include both emotional reasons (Roundy et al. 2017, 501) as well as more commercial reasons such as responding to a client demand, getting foothold in growing sectors and geographic markets or the financial attractiveness of the existing opportunities (GIIN 2018, 4). In the theory chapter 2, it was presented that impact investors are sometimes divided into financial first and impact first investors according to their preferences in the investment. Institutional investors are often thought to represent the financial first investors since they are bound by their fiduciary duties to their clients (see e.g. Harji & Hebb 2010, 6). Therefore, these investors are naturally more inclined to highlight the competitive financial returns of the investment to meet their fiduciary obligations. This is quite the opposite regarding many foundations and those who have their roots in the philanthropic communities, which have more flexibility in terms of the fiduciary duties and rather, are driven by their mission to advance social objectives. Therefore, these impact investors tend to focus on achieving high impact return and may be willing to accept less competitive rates of financial returns. (O'Donohoe et al. 2010, 21–22; Hebb 2013, 71–72; Ormiston et al. 2015, 366–367.)

3.2 Current impediments for the market growth

As a starting point, especially young impact investing markets face a classic chicken egg problem when setting out to establish the different elements of the market (Petrick et al. 2016, 44). First, encouraging the growth of impact-driven organizations requires that they have available funding throughout their different development phases but they are currently struggling to acquire early stage risk capital (Social Impact Investment Taskforce 2014a, 12.) These difficulties keep the number of enterprises relatively low and hence, mean fewer investment opportunities for investors. On the other hand, it is namely the perceived lack of financial sustainability and scalability of the business models that leaves many mainstream investors sitting on sidelines for now (see e.g Harji & Jackson 2012, 27; Shapiro 2018, 147). Investing in the capacity building and investment readiness of these organizations is therefore necessary in order to establish a healthy deal flow in the impact investing market (Mendell & Barbosa, 118). Furthermore, the average deal size of impact investments tends to be smaller, compared to similar growth capital deals in the traditional markets. This is problematic, because the transaction costs of a deal become relatively high. For example, the time for conducting due diligence may be the same regardless of the deal size. (World Economic Forum 2013, 24.)

Besides increasing the number and scale of the existing investment opportunities, investors are calling for more suitable financial products, innovative deal structures and platforms to suit the different needs of different types of investors and to provide liquidity and exit strategies in the market. Innovative financial products and deal structures that have started to emerge include social impact bonds, green bonds, and vaccine bonds as well as so called ying-yang deals, for example (Harji & Jackson 2012, 22–23). “Ying-yang deals”, or blended finance deals, refer to a specific deal structure where capital is pooled from investors with different expectations and preferences in terms of financial and impact objectives. In practice this means that money can be combined from impact first, financial first and even philanthropic investors within the same deal. Although financial first investors, such as institutional investors, may be socially motivated and willing to participate in the deal, they may need to be sure that they can obtain competitive and risk-adjusted returns. On the other hand, impact first and philanthropic investors can often be more flexible and accept lower returns on their investments or be willing to bear more risk. As they can “compromise” in terms of financial returns, it allows financial first investors to meet their financial needs and therefore enable the realization of deals that may not happen otherwise. Indeed, these blended finance deals have raised increasing interest among impact investors. (Freirech & Fulton 2009, 32–33; Harji & Jackson 2012, 24; GIIN 2018, 19.)

Liquidity, then again, is in traditional capital markets ensured through the creation of secondary markets, which allow investors to trade their securities such as stocks and bonds (Mendell & Barbosa 2013, 114–115). Recently, these platforms have started to emerge in impact investing as well, in the form of social stock exchanges such as Impact Investment Exchange (IIX) in Asia, Nexii in South Africa and the Social Stock Exchange in London. These exchange platforms may help to encourage the impact driven organizations to increase their investment readiness to reach for the listing criteria of a platform. Moreover, they can aid institutional and retail investors in identifying opportunities and gaining access to liquid securities (Harji & Jackson 2012, 24; World Economic Forum 2013, 16; Social Impact Investment Taskforce 2014a, 13).

One area of confusion for many investors is whether impact investments are an asset class of their own or a more general approach to portfolio management (Ormiston et al. 2015, 357, Daggers & Nicholls 2016, 18). Although some authors have suggested the former (see O’Donohoe et al. 2010, 25), impact investing is generally stated to span across all asset classes (Höchstädter & Scheck 2015, 461). Nonetheless, including impact investments in existing portfolios is not that straightforward matter for investors and investment managers. Currently used frameworks for portfolio management, such as the Modern Portfolio Theory (MPT), simply do not allow taking into account how the addition of the social dimension affects the dimensions of financial return and risk (World Economic Forum 2013, 25; Brandstetter & Lehner 2015, 93). To put it shortly, the introduction of the MPT has encouraged the investors to diversify their portfolios across asset classes, which has also induced a strong benchmarking culture to assess the performance of these portfolios. With the absence of other frameworks, these conventional benchmarks and tools are also used to evaluate the impact investing opportunities, even when one is being aware of their limited ability to assess investments with an impact element. (Wood et al. 2013, 77–78.)

One thing that complicates the portfolio management is that investors, specifically large institutions, are commonly made up of teams, each of which is managing a specific asset class and investments related to that asset class. Considering the unique characteristics of impact investing and the shortcomings of existing frameworks, it is hard to assess how to integrate impact investments in the current work of the teams. (World Economic Forum 2013, 25.) The Asset Allocation work group of the Social Impact Investment Taskforce has suggested the following approach to this matter. In the short term, it may be a good idea to form a separate team that has the skills to evaluate the impact dimension and engage in attractive investment opportunities across asset classes. In the long-term, however, impact investing should be established as a mainstream strategy that can be applied within each asset class teams alongside other strategies such as SRI screening practices. (Social Impact Investment Taskforce 2014b, 10–11.)

Finally, measurement of the non-financial impact is one of the most critical challenges at the moment. While the financial performance of impact investing can be evaluated by traditional means, the quantification of the impact dimension is a far more challenging task (Hebb 2013, 72). Yet, researchers and practitioners alike see that finding a common way to articulate, differentiate and analyse the impact needs to be established (see e.g. Clark 2016, 4). It would support the investees in attracting capital from impact investors, enable the investors to compare between different investment opportunities and give the governments guidance to assess the fiscal, economic and social cost of the issues being targeted (Harji & Hebb 2010, 13; Social Impact Investment Taskforce 2014a, 28, 30.) For the academics, a common way to measure the impact would provide a solid foundation to collect data and test the validity and reliability of current metrics (Clarkin & Cangioni 2016, 147). Although various actors have made efforts to develop industry-wide measurement practices, such as the Impact Reporting and Investment Standards (IRIS) and the Global Impact Investing Ratings System (GIIRS), more time is needed to develop standards that enjoy widespread adoption (O'Donohoe et al. 2010, 12; Ormiston et al. 2015, 358).

3.3 Social Impact Bond

Like impact investing, the social impact bond (SIB) model has only recently been coined. The pioneer of this approach has been the UK, which launched the world's first SIB in 2010 aimed at reducing the reoffending by the prisoners at the Peterborough Prison (Barclay & Symons 2013, 4). Since then, the idea has taken off and raised wider international interest among policy decision-makers (Fraser et al. 2018, 5). Outside the UK, the SIB has been referred with alternative concepts as well, such as pay for success (PFS) in the US and social benefits bonds (SBBs) in Australia (see e.g. Ronicle et al. 2014, 36).

Despite the different definitions, the fundamental idea is similar. There are usually four different actors involved in the SIB contract: 1) the commissioner, who is almost without an exception a public sector actor 2) a specialized intermediary, 3) service providers and 4) at least one external investor. The commissioner is the one who initiates the contract and sets the terms, but ultimately gives the intermediary most of the control (Warner 2013, 305). Therefore, the intermediary is needed for structuring the contract but also for facilitating the administration and managing the project delivery. The service providers deliver the commissioned service and can be (private) non-profit organizations, social businesses or for-profit organization. Finally, the investor(s) pays upfront capital for the designed intervention and may be anything from philanthropic oriented to profit or blended value oriented investor. (Maier & Meyer 2017, 1; Fraser et al. 2018, 4–5.) The model at its basic form can be illustrated as follows.

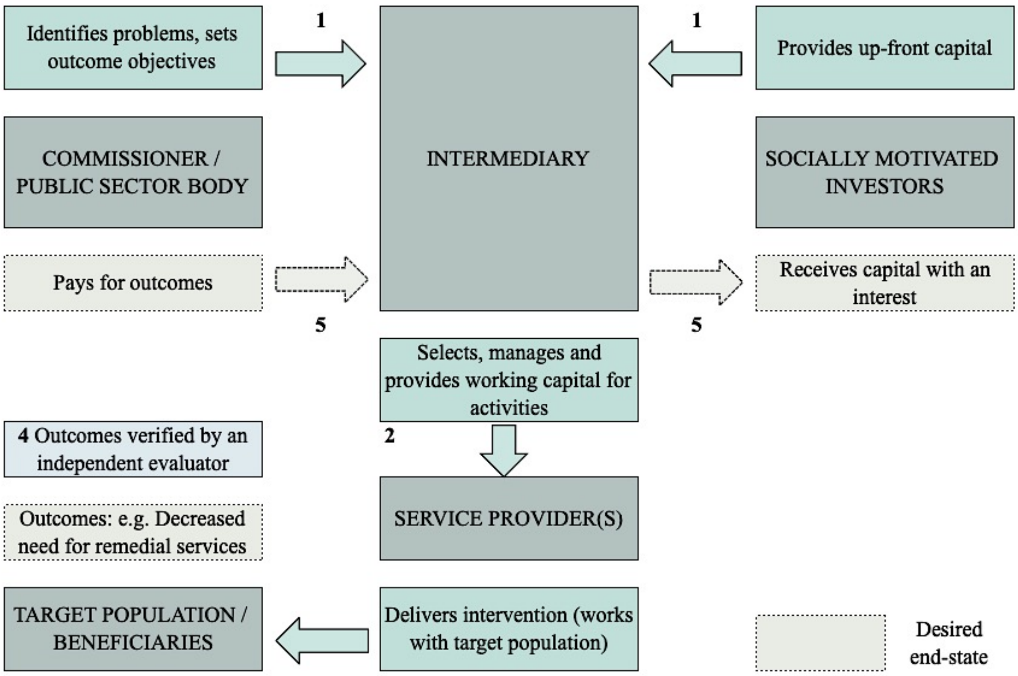

Figure 4 The structure of Social Impact Bond (Based on Social Impact Investment Taskforce 2014a, 4; Lütjens–Schilling & Scheck 2015, 16; Warner 2013, 30)

Notable factor in the above-presented model of SIB is, that the investors are paid the invested principal plus possible returns only if the predefined outcomes are achieved. This is also the factor that differentiates it from other available instruments within impact investing since the SIB model. Furthermore, the naming of the SIB may be somewhat misleading. The instrument is not a traditional bond per se, as the return is contingent on the outcomes of the project and therefore should rather be categorized as a contractual obligation (Jackson 2013, 611; Fraser et al. 2018, 5.) Moreover, as the return depends on the achieved outcome, an independent validator is often needed in the process for the evaluation and measurement of impact.

The fundamental benefit that the SIB contracts are deemed to have is that it transfers a substantial part of the risk from a commissioner to investors, therefore creating a possibility to test new interventions at minimum risk as well as scale the existing ones (Giacomantonio 2017, 52). For example, in the UK the cost of a convicted youth offender for the government is approximately 21 000 pounds. However, the cost of an intervention targeting to prevent recidivism can only be around 7000 pounds, therefore if successful, the investment would have been a feasible option for the government. (Social Impact Investment Taskforce 2014a, 14.) If the intervention is not successful, government does not have to pay anything, thus decreasing their risk to participate. Moreover, given that the project *is* successful and meets the predefined objectives, government is, in a way, repaying the investors from the savings generated for the public sector due to the decrease in needed social services, which therefore saves the costs of the taxpayers as well (Warner 2013, 303; Fraser et al. 2018, 5).

For service providers, the SIBs can provide an opportunity to participate in the first place if the working capital or willingness to assume financial risk is limited (Ronicle et al. 2014, 26). SIBs can also increase synergies among impact-driven organizations through the collaboration and coordination of overlapping activities (Social Impact Investment Taskforce 2014a, 15). Moreover, the model puts the emphasis on the outcomes and the tracking of those outcomes rather than specific inputs and out-puts. This again, is deemed to improve the service provider's business model through encouraging for a stronger accountability and performance management. (Ronicle et al. 2014, 25; Katz et al.2018, 211.) Furthermore, in comparison to more traditional ways to produce interventions such as other PbR contracts, block contracts or grant-funding, the SIBs are often set for a longer time period, therefore providing a greater degree of financial stability for the organizations involved in the contract (Giacomantonio 2017, 53; Fraser et al. 2018, 10).

For investors, the benefits consist of being able to pursue a blended value approach as well as generally catalysing the impact investing market (Ronicle et al. 2014, 26). However, it may be questionable how attractive the SIB is from an investors' perspective. One important factor to take into account is the level of risk they are expected to assume as well as the balance between the investors and the commissioner regarding the risk (Ronicle et al. 2014, 31). Because the investors currently have to bear most of the risk and the contract term can be quite long, they have to be willing to provide patient capital as well as be motivated by realizing social objective (Warner 2013, 305). Indeed, according to the Fraser et al. (2018, 11) some have regarded SIBs as a niche for social investors.

Moreover, the common concern for all the parties is the potentially high transaction costs and complexity related to SIB contracts (Ronicle et al. 2014, 33). These issues are due to the additional governance needed, the increased numbers of actors in the network as well as activities that are required for the evaluation of the achieved outcomes (Giacomantonio 2017, 50–51). In addition, there has been a concern that the objectives of the SIBs are sometimes set to be rather ambitious and hard to achieve in practice. Therefore, the objectives should be set in a way that they are credible and measurable and fit within the time frame of the funding (Jackson 2013, 612)

Additionally, there may be some ideological challenges involved in the SIBs. One of the concerns about SIBs is whether it undermines the role of the public services (Katz et al. 2018, 211). Some authors even consider it as a step back to the time before the existence of a welfare state. In addition, there is a concern that the SIBs results in a lower degree of transparency regarding how public funds are used. (Fraser et al. 2018, 12.)

However, as Jackson (2013, 612) pointed out, the SIBs should not be regarded as displacing the role of the public sector entirely, as the SIB contracts are not applicable to all public services. Therefore, SIBs should rather be considered as a tool to supplement public funding.

4 RESEARCH DESIGN

4.1 Research approach

As a starting point, this study aimed to research a new topic of impact investing, which has been characterized as lacking academic research and a solid theoretical foundation. Building on that argument, this study adopted a qualitative research approach that sought to *explore* the topic at hand. Exploratory research investigates an under-researched or a badly understood problem in the hope that the research will generate results, which will expand the existing knowledge base (Ghauri & Grønhaug 2005 58; Brown 2006, 46; Hesse–Biber & leavy 2011, 10). For example, an exploratory research differs from problem-solving and testing-out types of researches, where the former seeks to solve a specific problem, and the latter tests an existing generalization on a specific matter and under certain circumstances (Brown 2006, 45–46). However, in both cases, the research problem is structured, which means that it is quite well understood and there exists knowledge and theory related to it (Ghauri & Grønhaug 2005 58–59). Thus, due to the lack of existing research and theory on the subject of this study, exploratory research was considered as the best approach.

Qualitative approach, in turn, is characterized as aiming at a holistic understanding of the topic and allows a great degree of flexibility during the research process, therefore making it possible to modify the original research settings at a later stage (Eriksson & Kovalainen 2008, 6, 27). In the literature, qualitative approach is often contrasted with quantitative approach, where the first one is considered to emphasize words, and often takes an inductive, theory-generating approach. The second one tends to focus on measurement and quantification as well as testing the existing theories in a deductive manner. In reality, however, both the qualitative as well as the quantitative approach have a variety of different features, which also overlap with one another. For example, a qualitative research approach has been used to test theories, therefore not serving as a theory building but as a theory testing strategy. (Bryman & Bell 2015, 37–38.) Perhaps rather than categorizing the overall approach as qualitative or quantitative, or as theory generating or theory testing, the matter should be examined from the perspective of *methods* used to collect and analyse data. Therefore, this study is characterized as **an exploratory research, which employs qualitative methods** for data collection and data analyse. The specific qualitative methods that were chosen are further discussed in the next sections.

4.2 Data collection

When considering the topic at hand, the available research to begin with was scarce. Moreover, as the data was collected in the Finnish context and there exist only a handful of Finnish studies on the topic, it was decided that **primary data** should be collected. Primary data can be collected by either communicating with the subjects of the study or by observing them. Communication is not a synonym for face-to-face interaction; rather it means the collection of data in a way that allows the subjects of the study to explain their experiences of a specific phenomenon. This kind of data can be collected through surveys or interviews, latter of which can be conducted face to face or through phone interviews, for example. (Ghauri & Grønhaug 2005, 123.) As the market development of impact investing in Finland is still at a very early stage, it was deemed most fruitful to **communicate** with the study subjects to gain their views on the topic.

Furthermore, **interviews** were chosen as a data collection method for this research. Interviews can further be categorized as highly structured, semi-structured or unstructured. The benefit of the structured interviews is that they permit a higher degree of comparison between the individual interviews and the generalization of the results becomes more fruitful. However, especially less structured and in-depth interviews have been considered useful in the context of exploratory research, as they enable the experiences and perspectives of the interviewee to surface (Ghauri & Grønhaug 2005, 132–133; Hesse-Biber & Leavy 2011, 102–103). Thus, a less structured approach to interviewing was adopted in this study as well. Moreover, the nature of these interviews is perhaps best encapsulated by Alvesson's (2011) characterization of loosely structured interviews where "*some questions are prepared and asked and various themes are to be covered*", yet leaving a lot of room for the interviewer to change direction as well as to engage in new interesting themes as they emerge (Alvesson 2011, 9).

When selecting the interviewees, **a purposeful sampling** was utilized. A purposeful sampling can be differentiated from random sampling in a way that the first one aims to understand something about the certain cases whereas the latter one aims for generalization from the sample cases to a larger population (Patton 1989, 100). Indeed, as in the case of choosing a loose structure for interviews, utilizing a purposeful sampling was justified based on the fact that the purpose of this study is to explore, not to generalize. Moreover, as currently very limited number of actors are involved in impact investing, it was considered that the people outside of this group likely would not be aware of, or at least, would have very limited knowledge on the topic.

At the beginning of the research, a literature search was conducted and this included mapping out whether there existed material in Finnish. This part was conducted through

Google search engine using Finnish terms for impact investing or social impact bond[2]. As a result of that search, it became evident that the Finnish Innovation Fund (Sitra) has been the leading party in establishing the impact investing ecosystem in Finland. Therefore, the starting point was to go through the publications and articles on Sitra's website. Through scoping the website, the contact details for the expert of impact investing were found and an interview request sent. In addition, it was found that Sitra has organized four Impact Accelerators, which are training and mentoring programs aimed at companies that have potential to be players in the impact investing ecosystem.

The purposeful sampling in practice was as follows. First, through meeting with the Sitra's expert in impact investing, as well as discussing with another Sitra's employee that had participated in the work of Impact Accelerators, further candidates for interviews were identified. In parallel with this, the author searched information about the companies that had participated in Impact Accelerators and send interview requests by email. Second, some of the interviewees were acquired based on the referrals given in the previous interviews. This is also referred as **snowballing sampling** and, indeed, is often used in cases where it is hard to identify the appropriate candidates (Hesse-Biber & Leavy 2011, 47).

Moreover, the objective was to engage in conversation with different types of current or potential players in the market, to get a more diversified picture of the market and existing perspectives. Altogether 10 different respondents were interviewed consisting of investors, intermediaries and investees. However, it should be noted that although the respondents were selected based on their link, interest and awareness of impact investing, only Sitra has actually engaged in the impact investing deals in practice[3]. The following table presents the respondents interviewed in this study, as well as the details of the interviews regarding their date, duration and channel.

---

[2] Generally, impact investing is translated in Finnish as vaikuttavuussijoittaminen or vaikuttavuusinvestoiminen and SIB as tulosperusteinen rahoitussopimus.

[3] These include the two first social impact bonds, which were launched in 2015 and 2017.

Table 2 Interview details

Interviewee groups	Profile of the interviewee	Date	Duration	Channel
Investors	Business angel	18.5.2018	34 min	Phone
	Institutional investor	22.5.2018	25 min	Phone
Intermediaries	Representative of Sitra	23.3.2018	90 min	Face-to-face
	Impact measurement expert 1	27.4.2018	62 min	Phone
	Impact measurement expert 2	7.5.2018	81 min	Phone
	Representative of an impact investment fund	15.5.2018	30 min	Phone
Investees	Representative of an impact-driven organization 1	24.4.2018	71 min	Skype
	Representative of an impact-driven organization 2	2.5.2018	55 min	Skype
	Representative of an impact-driven organization 3	15.5.2018	58 min	Skype
	Representative of an impact-driven organization 4	25.4.2018	53 min	Phone
		27.4.2018	46 min	Phone

The interviewees can be categorized in three broad groups depending on their current or potential position in impact investment market. The first group of interviewees consist of two investors – a business angel investor and an institutional investor. Both were aware of impact investing and had some kind of link to it at this initial stage through for example, some market building activities. The business angel is a member of the Finnish Business Angels Network (FIBAN) with experience of working with growth companies as well as organizing financing for them. The interviewee has made business angel investments for 7 years. The institutional investor is an investor in an employment pension company with expertise in responsibility as well as investing in non-listed companies.

The second group of interviewees is more heterogeneous. It includes both individuals that have actively taken part in the on-going activities around impact investing, but also individuals that gave perspectives related to measurement of impact from a practical experience or from academic research perspective. Especially the representative of Sitra has expertise and knowledge of impact investments and social impact bond projects in Finland. The impact measurement expert 1 is a researcher in a research centre and has expertise in the field of innovations and innovation policy as well as impact evaluation. The impact measurement expert 2, then again, is a social entrepreneur with expertise in impact assessment methods and tools. The fourth interviewee of this group, the representative of an impact investment fund, has extensive expertise in environmental projects such as those related to renewable energy and energy efficiency. In addition, the interviewee has managed outcomes-based project both with social and environmental objectives.

The third group of interviewees consists of individuals that also have a strong link to impact investing since they have all participated in one of the Impact Accelerator programs. The representative of an impact-driven organization 1 has 10 years of experience in working in the renewable energy sector. Currently, the interviewee works in a small company, which social objective is to holistically improve the health and well-being of working individuals. The representative of an impact-driven organization 2 is a social entrepreneur whose social objective is to improve the health and well-being of individuals. The interviewee has experience of working with various municipal and third sector actors. The third representative in this group is an entrepreneur of a start-up, which provides tools for impact measurement and evaluation. Finally, representative of an impact-driven organization 4 works in a social and health care sector organization focused on the well-being of children and families. Within the organization, the interviewee is responsible for service development as well as developing the impact modelling and measurement.

When conducting the above-presented interviews, several things were further considered. First, time constraints were taken into account, from the perspective of the author and from the interviewees, as well as the possible costs related to travelling. Indeed, other authors have noted the importance of taking these things into account, which often are specifically relevant regarding student research (see e.g. Ghauri & Grønhaug 2005, 56). Therefore, the primary channel for gathering the interviews was over the phone. Fisher (2010, 185) notes that this can be especially useful when interviewing people who would otherwise have difficulties in finding the time for the interview. Moreover, although Skype was also utilized with some of the interviewees, conducting interviews over the phone was considered somewhat more reliable. Indeed, in some cases, there were some technical issues with using Skype. However, in some of the interviews, where Skype was utilized, the respondents were able to share some background material on the screen, which was considered useful.

The other practical considerations related to the recording of the interviews as well as anonymity. Patton (1989, 247) notes that the benefit of the recording is that it increases the attention that the interviewer can give to the interviewee, but using such recording device should also be justified to the interviewee. Furthermore, permission for recording from the respondents should always be asked (Ghauri & Grønhaug 2005, 135). Indeed, all interviewees were asked prior the interview whether they allowed for the recording and this was asked on the grounds of being able to better concentrate on the discussion and not to have to take extensive notes during it. In addition, the interviewees were asked whether they would like to stay anonymous. Some of the respondents expressed that due to the critical tone that some may consider them to have, they would like to stay anonymous. Therefore, in the end, it was considered equal to refer to all of the interviewees and their viewpoints anonymously.

During the interviews, a lot of room was given to the respondents to express the things that came to their mind. The start of the interview was usually the same for each interviewee and included mapping out the background of the interviewee, but the rest of the interview followed an individual path depending on the interviewee. As the interviewees raised new or interesting points, these were engaged in by developing new questions. Moreover, as there is hardly any research on the Finnish impact investing market, it was somewhat impossible to map out the different aspects prior the interviews. This is exactly the reason why it was considered justified to keep the interviews as flexible as possible, although the author did have a set of themes and prompts to guide the interview, if necessary. These themes and examples of the prompts related to them are presented in the Appendix 1. However, due to the unstructured approach, and the individual nature of the interviews, the Appendix 1 does not include all of the questions asked.

After the interviews, written documents were received from the representative of Sitra via e-mail. Some documents were also retrieved through an online search using Sitra's database for publications and news. These documents were used to complement the interview data, and they aided in forming a clearer picture of the current market structure and development.

4.3 Thematic networks as data analysis tool

The data analysis in this study followed an iterative process, where the data was simultaneously collected and analysed (see e.g. Hesse-Biber 6 Leavy 2011, 307). In practice, this means that when possible, the records of the interviews were transcribed before the next interview in order to let initial observations and interpretations to emerge from the data. This facilitated the author to build understanding about the novel topic and thus, was also considered to facilitate the conducting of the subsequent interviews. Furthermore, after the data had been collected, getting to know the material was done thoroughly. This was indeed necessary, as the transcribed material generated over 100 Word document pages (with the font size 12, line spacing 1.0 and 2 cm margins). First, the material was read from start to finish on consecutive days to get a good overview of the collected data. At this stage, notes were taken and some initial highlighting of the sentences.

In the next phase, the data was reduced and organized in different themes. Generally speaking, thematic analysis aims to find aggregated themes within data and includes three broad features: examining commonalities, examining differences and examining relationships (Gibson & Brown 2009, 128–129). In practice, this process involves assigning codes to pieces of data, and the pieces of data with the same code, form a common theme (Gibson & Brown 2009, 131). In this study, the author had initial themes to look for from the data in mind, however they were not ”forced” to fit the collected data. Indeed, also the research questions were modified as a result of the data analysis phase.

Furthermore, this study utilized Attride-Stirling's (2001) main principles of the thematic network analysis method, which is aimed at facilitating the organization and visualization of qualitative data. One thematic network includes three different levels of themes: 1) basic themes, 2) organizing themes and 3) a global theme, and they can be presented as a web-like illustrations (Attride-Stirling 2001, 386), similar to mind-maps. The following figure provides an illustration of the network in its basic form.

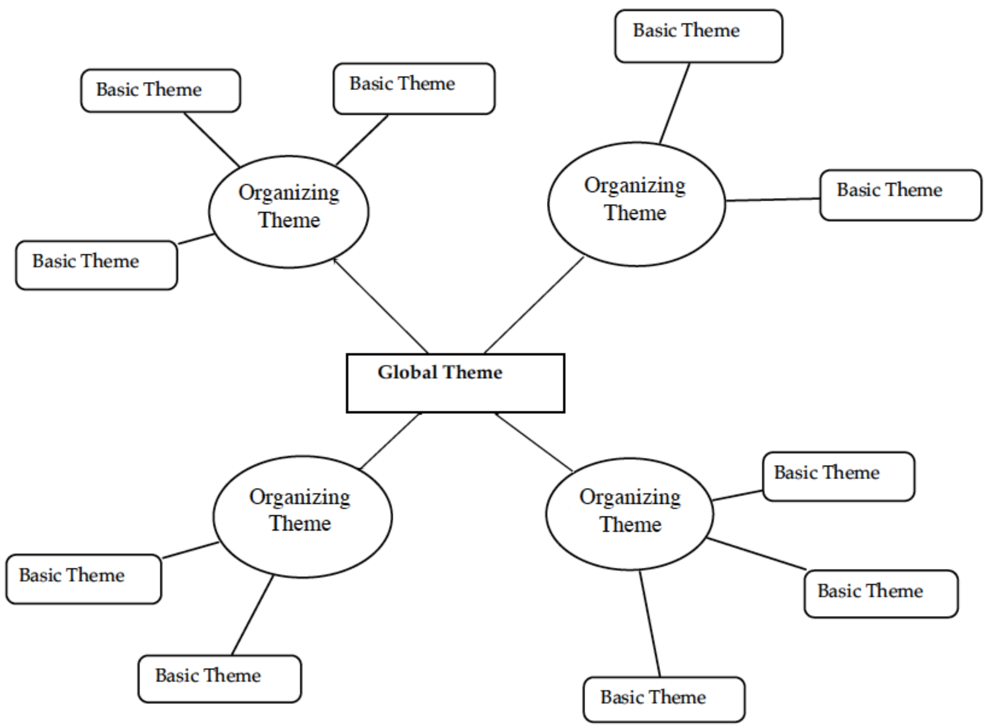

Figure 5 Thematic network (Attride-Stirling 2001, 388)

The basic themes are the lowest-order level of data and they emerge from the textual data itself – in the case of this thesis – from the transcribed interviews. The process then moves on to form the organizing themes, which unite a group of basic themes together. The purpose of them is to interpret the underlying meaning of different basic themes. In other words, the name of an organizing theme represents what is the common feature of different basic themes. Then, all the different basic themes and organizing themes are brought together within the same network, and united by naming a global theme. Hence, the name of the global theme is an interpretation that can be made from all the different basic and organizing themes. Furthermore, when following the thematic network analysis method, the researcher may end up building several different thematic networks. (Attride-Stirling 2001, 388–389.) In this thesis, altogether three different thematic networks were built.

4.4 Evaluating the trustworthiness of the study

Concepts such as the reliability and validity of the study have been used in order to evaluate whether the study, and the claims or interpretations suggested in it, can be trusted. To put it shortly, the validity of the study refers to the extent to which a claim or interpretation accurately represents the objective of those claims or interpretations. The reliability then again refers to a degree of consistency, or to an extent to which same results can be replicated by a different researcher. However, there exists argumentation over whether these concepts fit well in the context of studies that have employed qualitative methods in data collection and analysis. (Koskinen et al. 2015, 253–256.)

Indeed, alternative criteria for evaluating the study have also been suggested. Lincoln and Guba (1985) present four other concepts that can be used as alternatives to the reliability and validity of the study. These consist of 1) dependability, 2) transferability, 3) credibility and 4) confirmability, which together form the trustworthiness of the study. First, dependability refers to the researcher's responsibility of providing evidence that the process has been logical, traceable and documented (Eriksson & Kovalainen 2008, 295). To this point, the author has made an effort to provide a great level of detail in how the interviewees in this study were selected, and how the interviews were conducted. According to Bryman and Bell (2015, 414), readers have a right to know how the participants were chosen for the study, which also increases the transparency of the research. When it comes to documentation, two recorders were used in each interview thus ensuring that the original recording could be used in the transcription phase, which formed a basis for the data analysis.

Second, transferability of the study means the similarities that can be found between the study at hand and other studies (Eriksson & Kovalainen 2008, 295). Lincoln and Guba (1985, 297) suggest that in order to evaluate the transferability aspect, an investigator also has to know both the sending and the receiving context. Therefore, the evaluation of transferability is also a matter of comparing the contextual similarities and differences between two different studies. This is contrary to the generalization aspect of quantitative studies where the researcher only needs to ensure the internal validity of sample A, as well as that sample A, is representative of the population. In this case, the generalization can be made regardless of the context. However, when employing unstructured interviews within a small number of interviewees and in a specific local context, it is rather impossible to apply the results to other settings (Bryman & Bell 2015, 414).

Evaluating the transferability in this thesis faced problematic issues regarding the scarcity of academic research on the topic, especially in the Finnish context. Hence, there was not a solid theoretical foundation for impact investing that could have been used in the theory section. The lack of previous studies in the Finnish context also means that the ability to make a comparison between the results of this thesis and existing research was limited. However, the author has made an effort to point out some links between the empirical data as well as the existing international literature throughout the results section, as well as in the conclusions section. In addition, the context of this thesis is explained in the results section when exploring the impact investing market structure and existing and potential actors. According to Lincoln and Guba (1985, 316), this is one element of transferability – providing a description of the time and context in which the study was made and the data collected.

Third, the credibility stands for whether the presented claims made in the study are strong. This is related to the issues of how familiar the researcher is with the topic, and whether the data collected is sufficient. (Eriksson & Kovalainen 2008, 295.) Starting with the first point, it should be said that the topic, at first, was a very new one for the researcher as well. However, over the course of the study, the author has become very familiar with the topic as well as its relation to other fields. To increase the credibility of this research, the chapter 2.1 as well as the chapter 6.4 have been formed in order to share the knowledge gained during the research as well as to acknowledge the limitations of this study.

Regarding the sufficiency of the data, it has been suggested that the researcher may continue collecting data until the theoretical saturation is researched. That is to say, no additional explanations emerge from the data. However, often the matter of theoretical saturation is constrained by the practical issues of time and cost. (Gillham 2005, 50.) Indeed, those practical limitations were faced in this study as well. Altogether 10 respondents were interviewed in this study and although a lot of valuable material was collected during them, further interviews could have been conducted. However, this may also partly derive from the fact that little previous research has been conducted.

Finally, confirmability refers to the issue of making solid links between the data and the interpretation in a way that is understandable for the reader (Eriksson & Kovalainen 2008, 295). For this, two main tools were employed. First, the results section includes illustrations of the thematic networks that were compiled in the data analysis phase. They summarize the main themes that emerged, which are then discussed in a greater level of detail in the subsequent written text. Giving an overview of the main themes before diving into details is deemed to facilitate the understanding of the reader. Second, also illustrative quotations from the respondents are used. The direct quotations were selected based on their ability to provide the most illustrative and easily understandable description of the issue under discussion.

5 IMPACT INVESTING IN FINLAND

This chapter consists of empirical findings collected through interviews. As explained in the previous chapter, altogether three different thematic networks were built during data analysis and they are depicted in the sub-chapters 5.1, 5.3 and 5.4 to help in the visualization and organization of the data. Chapter 5.2 presents an overview of the current market and corresponds to the second objective of this study: to examine the structure of the market ecosystem including existing actors, investment instruments and supportive measures. This chapter utilizes material from the first interview with Sitra, which is woven together with the information from documents that were received via email or collected through an online search. However, these written sources are clearly marked in the discussion. Additionally, the discussion about results is complemented with illustrative quotes from the interviewees.

5.1 Prevailing understandings of impact investing

As presented in the chapter 2, the international definition of the term impact investing is still searching for its exact boundaries and a general agreement on the matter has yet to be achieved. However, despite the range of current terms in use, impact investing is often characterized as occupying a space between pure philanthropy and SRI without overthrowing either of them (see e.g Michelucci 2017, 2686). The core elements of impact investing include the pursuit for both financial profits as well as measurable and intentional social or environmental impact (see e.g. Höchstädter & Scheck 2015, 453). The first thematic network formed during the analysis phase encapsulates the interviewees' current perceptions of impact investing. The thematic network below is comprised of three organizing themes that examine the term in relation to the SRI field, as well as the two main objectives included in the term.

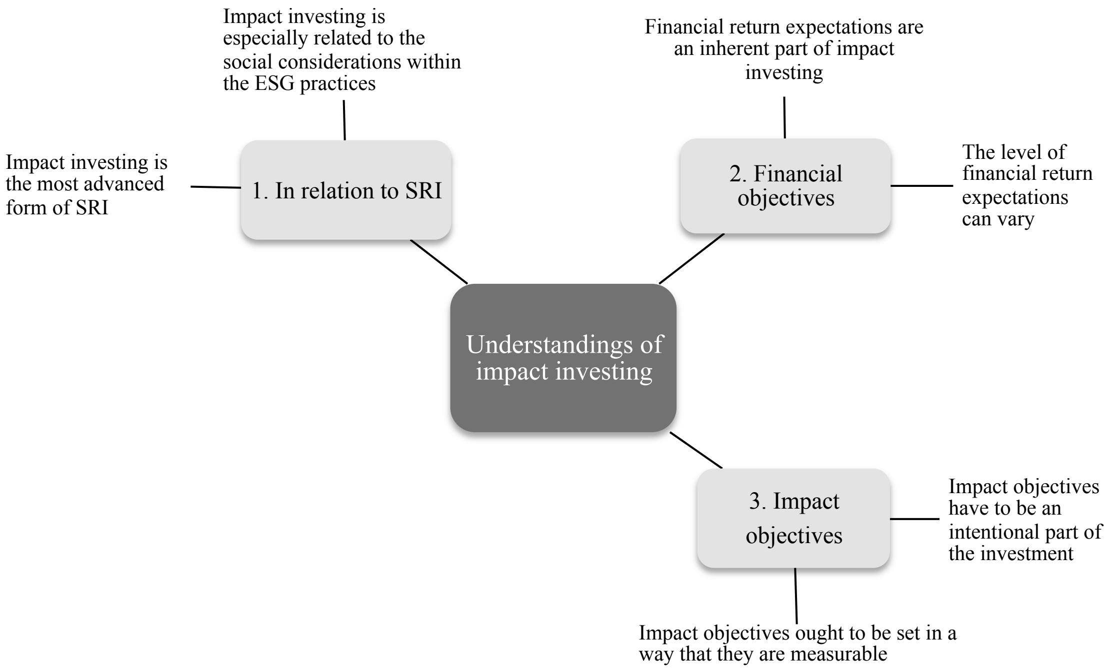

Figure 6 Thematic network 1: The current understandings of impact investing in Finland

The first theme emerged from the discussions with the investors and Sitra and it describes the relationship between impact investing and socially responsible investing (SRI). According to the interviewees, there indeed is a link between the two terms. However, impact investing can be understood as a step forward within the SRI field, as "*responsible investing 2.0*". Thus, impact investing is a continuum to the prevailing SRI practices and the most advanced stage of it. Furthermore, the Finnish investors have already adopted SRI practices quite well. Now, however, impact investing is gaining momentum in international markets and Finnish investors may well experience that they need to follow this trend.

In addition to the evolutionary aspect, impact investing can be understood as a specific sub-type of SRI, which centres on social objectives or a more proactive strategy that goes beyond the negative screening practices:

> *Well, it [impact investing] is a subset of this [responsible investing]. Responsible investing is very extensive in scope. If you think of these three letters ESG, i.e. environmental, social and governance, this often refers to the social responsibility. In other words, how to get people a better society and a better living environment. Typically, one attempts to influence something that improves people's living conditions. (Institutional investor)*

> *Well, it [impact investing] goes a bit in the same area [than responsible investing], but you could think of it in such a way that in responsible investing you don't invest in companies based on drugs, crime, et cetera. Often, it means that you are trying to ensure that there is no negative impact. (Business angel investor)*

These quotations illustrate that impact investing is considered to be a related, yet somewhat distinct concept from SRI. Institutional investor sees that impact investing emphasizes social objectives instead of environmental objectives, for example. Moreover, business angel investor describes impact investing as being somewhat more proactive as it is not limited to avoiding negative impact. An interesting observation can be made with these statements and one of the reasons that originally motivated to develop the concept of impact investing. According to Bugg-Levine and Emerson (2011, 12), the existing practices at the time had long traditions in negative screening and emphasized environmental objectives rather than taking into account the broad array of the social challenges. Similarly, the discussions with the institutional and angel investor reveal that impact investing is understood to focus more on the social objectives and it goes beyond the mere avoidance of negative impact.

The second theme of the thematic network was formed based on the discussions on the financial objectives of impact investments. First of all, the financial return dimension is regarded as an inherent part of impact investing, as it is an essential element of other types of investing as well. It is the defining feature what makes (impact) investing distinct from philanthropy and charitable donations. Therefore, it is a fundamental principle for investors, which guarantees the financial sustainability of the operations and allows the investors to make further investments in the future. Although the role of the charity is considered important as well, it is not in itself enough to address the various challenges of the society. Therefore, private capital must be leveraged as well.

What comes to the level of financial returns sought, the business angel investor characterizes the financial objectives in more general terms. In other words, he sees that the main thing is that they are both present in the investment. According to the institutional investor, however, the financial returns must be risk-adjusted and competitive to other investment opportunities with similar risk profile. This seems to mirror the general belief in impact investing literature that particularly institutional investors are bound by their fiduciary duties and therefore more inclined towards investments with a more attractive profit potential (O'Donohoe et al. 2010, 21).

The third theme includes the interviewees' comments about the impact objective. From investor's perspective, impact investments can pursue both environmental and social impact. According to the institutional investor, these objectives have a strong link to the public sector:

> *Impact investing aims to leverage private capital in order to bring about outcomes of activities typically carried out by the public sector. -- For example, these [impact investments] have often taken a look at things that the public sector usually does. So this [impact investing] is a way to involve private capital into areas typically considered as public sector affairs. (Institutional investor)*

The quote above makes a rather strong association between impact investing and public sector. However, the link between the impact investing and the public sector does not pertain only to the discussion on the definition of impact investing but it was a quite popular theme occurring across various themes and interviews. Partly, it may be explained by the fact that SIB contracts are currently the main vehicle of investments and they often involve a public sector actor as a commissioner of outcomes.

Moreover, two other features characterize impact objectives. First, there is the aspect of intentionality, which refers to the conscious and purposeful pursuit of a positive impact. In other words, all investments have some kind of impact, which can be positive or negative. However, the positive impact may be generated also in the investments, where the main motive is obtaining financial returns. In this case, the impact is regarded more as a positive side effect and therefore the investment cannot be described as an impact investment:

> *For example, if some company builds wind power components, it is just business as usual, but it does have an impact because wind power ensure the security of energy supply, in an environmentally friendly way. But [in this case] the purpose of the investment may not be the impact but making money. -- The purpose of the investment must be to produce social benefits. The whole thing must be built around the achievement of the [impact] objective, rather than achieving the social benefit as a by-product. (Representative of an impact investment fund)*

This perspective represents closely to the one presented in the literature. For example, Bugg-Levine and Emerson (2011, 13) argue that: "*All investments are capable of generating positive social impact, but some are closer to the action than others*." From interviewees' perspective, this "action" seems to be related to the verification of the impact. Various interviewees pointed out that the impact objective must be set in a way that it is truly and concretely measurable. This is especially important with SIB contracts where the return on investment is contingent on the achievement of objectives. Therefore, the measurement should not be regarded lightly or as a side factor but as the core element of operations.

The interviewees comprehend the impact itself as a quite qualitative concept since it relates to increasing some specific group's well being. However, it is important that the measurement involves evaluating quantitative, numerical values, such as accrued cost savings for the public sector or the reduction in sick leaves. This is contrary to the more ambiguous ways of measuring one's impact, such as providing self-assessment forms for the stakeholders with "smiley-faces" answering options.

5.2 Overview of the current market activities

5.2.1 The introduction of the Social Impact Bond model in Finland

In Finland, the Finnish Innovation Fund (Sitra) has been the initiator in building a local impact investing ecosystem. One of the Sitra's ways of working is to identify new concepts and models and investigate their potential and applicability to the Finnish context. These concepts are then tested in practice through setting up of key focus areas, which are temporary projects, each running a few years at a time. Moreover, all of these projects are driven by the same overall purpose of the organization – advancing sustainable well-being in Finland.

The aforementioned way of working serves as prerequisite that has enabled Sitra to bring the concept of impact investing in Finland. As presented in introduction, the seeds of impact investing were originally sown by the Rockefeller Center in 2007–2008 followed by an international interest and discussion on the topic. This new way of thinking found its way to Sitra as well, which then investigated the concept and whether it could provide value for Finnish society. As an end-result of the investigation, the impact investing focus area was launched in the spring of 2014 and the project officially completed in December 2017. However, in 2018-2019 Sitra continues its support for the existing processes and actors to ensure the positive development of the impact investing market (Letter of the impact investing project area, Sitra).

The overall purpose of Sitra's project plan was to generate a broad impact investing ecosystem to Finland. At this initial stage, much of the resources have been focused on advancing the application of the SIB model and supporting the actors involved in the contracts. Currently, there are altogether seven SIB projects either ongoing or being planned. An overview of them and their objectives is set out in the table below.

Table 3 SIB projects in Finland (Letter of impact investing project area, Sitra; Sitra.fi/SIB funds)

Projects	**Commissioner (payee)**	**Stage**
Promoting occupational well-being in the public sector (TyHy-SIB)	Public sector organizations as employer	Started in 2015
Fast employement and integration of immigrants (Koto-SIB)	Ministry of Economic Affairs and Employment	Started in 2017
Promoting well-being of children, families with children and youths (Lapsi-SIB)	Municipalities	First activities started in Autumn 2018
Promoting employment	Ministry of Economic Affairs and Employment	Set to launch in 2018
Supporting the independence of the elderly	-	Under development
Prevention of type 2 diabetes	-	Under development
Environmental Impact Bond (EIB) for a specific environmental challenge	-	Under development

The first SIB focuses on occupational well-being and is funded by Sitra, the We foundation (Me-säätiö) and a professional investor Henri Kulvik. Sitra and We foundation took part in the second SIB as well, accompanied by a private investor Tom Tukiainen, SOK Corporation, Tradeka and the Orthodox Church of Finland. However, the major part of the investment capital came from the European Investment Fund (EIF), which made a 10 million euro contribution to the fund. Approximately 14 million sized fund is, in monetary terms, the biggest SIB fund in Europe and the second biggest in the world. (Sitra news 2017a; Sitra news 2018; Yle 2018.) In addition, the first activities of the third SIB started in 2018 and altogether 18 municipalities have expressed their interest in taking part. The main intermediary organization in all the active SIBs has been Epiqus. Dedicated to managing impact funds, Epiqus is the second registered European Social Entrepreneurship Fund (EuSEF) manager in Europe (Epiqus.fi/About). Additionally, FIM Varainhoito Oy and the Central Union for Child Welfare (Lastensuojelun Keskusliitto) have served as intermediaries alongside Epiqus in the third SIB (Sitra article 2018a).

Due to the pioneering work of Sitra in building the impact ecosystem, in 2015, Finland was accepted to become a member of the Global Impact Investing Steering Group.

In December, Sitra set the National Advisory Body and invited various parties to join including investors, public sector actors, service providers, and research institutes. (Sitra news 2017b.) The composition of the national body was modified in June 2018 but it continues to support the development of impact investment ecosystem to Finland (Sitra article 2018b). This new composition recently published a statement according to which “an outcomes fund” is needed in Finland and is to be set under the Finnish Government at the latest after spring 2019 parliamentary elections. The establishment of the fund is aimed to increase the outcomes-based public procurement and to encourage the private capital to take part. The statement highlighted the need to adopt a long-term view on the provision of services by considering their impact and their preventive nature, not just their price tag. In addition, setting up a common outcomes fund is considered to aid in the current issues, which relate to the difficulties in determining the paying party after the objectives of the contract have been met. This is due to the fact that a successful SIB often benefits multiple administrative sectors. Thus a joint fund would remove this issue. (National Impact Investing Advisory Board 2018.)

5.2.2 Supportive measures to establish the elements of the ecosystem

Besides promoting SIBs, Sitra has also sought to map out the potential of the larger investor audience as well as the possibilities of setting up private equity funds that would be specialized in impact investment. Therefore, since the beginning of the market building activities, Sitra has aimed to increase awareness about impact investing as a concept among different investor groups, by informing them about the upcoming SIB funds as well as by organizing events. Additionally, Sitra has provided targeted support specifically for the organizations and the public sector. Sitra has organized altogether four **Impact Accelerator programs** between 2015-2017 targeted for companies and for-profit organizations. The objectives of the programs included strengthening the capabilities of the participants in understanding the logic as well as the modelling and measuring of their social impact. Furthermore, the programs aimed to help the participants in developing their business model and therefore also making them more attractive investment targets. In total 37 companies and organizations were selected to participate in the Impact Accelerator program including a variety of actors that each answer to a specific social challenge. (Sitra 2018, 21.)

Building on the Impact Accelerator concept, Sitra recently announced the organization of three Impact Boot Camps, which will take place between Autumn 2018 and in the beginning of 2019. They will continue increasing the capabilities of participants in impact measurement and business model development. (Sitra.fi/Impact Accelerator.) In addition, in the interview with Sitra in Autumn 2017, the Sitra’s representative expressed that due to their learning process along the way, they had perceived that the impact-oriented projects could benefit from a multi-actor collaboration from the very beginning. Indeed, Sitra has also piloted an Impact Co-creation concept in Oulu between December 2017 and January 2018, which aimed to bring different impact oriented actors from the public, third and private sector to the same table. In other words, it combines the parties interested in buying, investing as well as creating the impact and encourages the different sides to work together in order to create holistic solutions to a specific challenge. In the case of Oulu, the focus was to half the number of under 35 year olds that have been unemployed more than 6 months. (Sitra 2018, 7–8.)

5.3 Perceived opportunities of applying the Social Impact Bond model in Finland

The SIB model is playing a major role in the Finnish impact investing landscape, which is perhaps the reason why the perceived opportunities by the interviewees are closely linked to the application of this instrument. The main opportunities that emerged in the discussions are illustrated in the following thematic network.

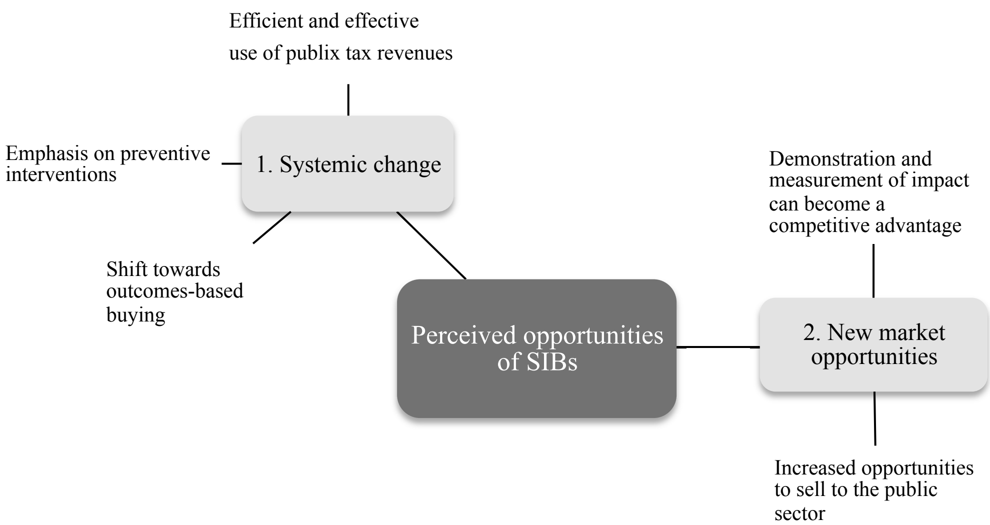

Figure 7 Thematic network 2: Perceived opportunities of applying the Social Impact Bond model in Finland

The first theme, systemic change, encapsulates well the underlying meaning of the three different basic themes that pertain to the first theme. In fact, outcomes-based procurement, preventive interventions and therefore the overall improvement of the efficiency and effectiveness of public tax revenues are also the reasons why Sitra decided to start building the local impact investing market, particularly with the SIB model. In other words, SIB may be more capable of driving these objectives forward than other impact investment vehicles.

The public sector procurement has traditionally leaned strongly on a system where the price tag of the service is a decisive factor. On the contrary, the public sector buyers rarely and comprehensively evaluate beforehand whether a service has the potential to produce the desired outcomes. Furthermore, due to the scarcity of public resources, the existing funds are mainly needed on remediating the already existing problems. Thus, there is little room to take preventive measures. The role of the private capital and SIB here is to address this resource gap and start working towards an outcomes-oriented society, which emphasizes the proactive way of approaching problems.

Various interviewees echo these points. It is evident that the current practices simply do not tend to produce the desired outcomes:

> *In financial terms, the size of occupational well-being market is just absurd. Now, if you think about the impact versus the amount of money spent by the pension insurance companies. And not to even mention the amount that KELA has contributed in rehabilitation. You can imagine. The impact is basically zero but the amount of money involved is just absurd. (Representative of an impact-driven organization 1)*

This quote illustrates well the popular opinion among the interviewees that the impact of public services should be improved. SIB is considered to be a potential tool in the provision of services for years to come and the flexibility of the instrument ensures that it can be applied to various types of social issues. Furthermore, the institutional investor pointed out that leveraging private capital might prove to be more efficient in addressing problems. In other words, private capital may be capable of generating more desired outcomes with fewer inputs.

The interviewees also highlight the proactive approach to solving problems. Preventive measures are considered to benefit both the target population and the public sector in the long run. This is justified on the grounds that the longer the problems develop the more massive measures are later needed to solve them. Thus, the costs involved are also higher. In order to test these new ways, however, the public sector needs a financially low-risk tool to get involved. In the literature, this is specifically mentioned as being one of the core purposes of the SIB. In the SIB model, a substantial part of the risk is transferred from a commissioner to investors, therefore allowing the public sector to test new interventions at minimum risk (see e.g. Giacomantonio 2017, 52).

To sum up, the previous discussion justifies why an outcomes-based public procurement and preventive measures are deemed important. Building on these arguments, the second organizing theme presents that the impact-driven organizations are noticing this shift in the society, which can also provide them with new opportunities. First, the organizations observe that different parties have started to appreciate the achievement of impact more. Furthermore, two impact-driven organization representatives explain that this can be observed in the increasing expectations towards companies in terms of their social and environmental responsibility. These expectations affect the procurement practices as well and thus, can provide impact-driven organizations a better position to sell their services.

Indeed, three out of four impact-driven organization interviewees see that measuring and demonstrating one's impact can be a competitive advantage and a critical success factor, which can be used to convince the existing as well as new customers. Impact measurement has received "surprisingly little" attention before and "many organizations do not intend to do so in the future either", thus the organizations can become attractive players in the market. Moreover, to seize this opportunity, the organizations themselves play an important role in encouraging further development towards outcomes-based procurement:

> *[Our] management has for years talked how these public tendering processes are unfair and only money talks. So if that is our opinion, then we have to be prepared to change the world, be at the forefront and demonstrate that it is possible to measure and verify outcomes and impact. In order to make it possible to buy and sell outcomes and impact, we ought to do our own part. We can't just wait that it comes elsewhere. (Representative of an impact-driven organization 4)*

Building on the previous discussion, it is evident that the organizations interviewed in this study have a clear interest in outcomes-based contracting and developing their impact measurement practices. In fact, two of the organizations have already applied in a SIB contract as a potential service provider, i.e. an entity that is expected to work with the target population to achieve the impact objective. This interest to collaborate with the public sector is also revealed by the manner in which the organizations talk about the impact and its measurement. Namely, this means the interest in showing the potential cost savings that the services of the organizations can generate for the public sector.

In addition, two of the interviewees from an impact-driven organization discussed the possibility of providing their services "in advance" to the purchaser, who would pay them if they are successful of delivering the promised cost saving or other results. This is similar to the fundamental idea of the SIB model. However, in the SIB contracts, the fund manager covers the most if not all of the service providers' operational costs. It is the investor who bears the financial risk in case of an unsuccessful intervention. On the other hand, the interviewees explain that in order for the organizations to be willing to bear the financial risk, they would have to be certain that their business model is capable of generating the desired outcome. This future scenario, where impact enterprises sell outcomes without the middlemen, has also been one of the original intent and reason for introducing SIB in Finland. The representative of Sitra explains that the big picture is to build a system where the public sector acquires outcomes, impact-driven organizations sell outcomes instead of deliverables, and if needed, are financially reinforced by impact investors.

5.4 Current challenges in the market

Perspectives on the current challenges comprise the third and final thematic network. The issues that emerged in the discussions can be categorized into three central organizing themes: SIB related, issues closely linked to the nascent state of the market and measurement related. Although the challenges regarding measurement may partly exist due to the undeveloped stage of the market, the measurement related discussions provided a rich and interesting discussion that is best to discuss separately. Below is the illustrative figure of the central themes.

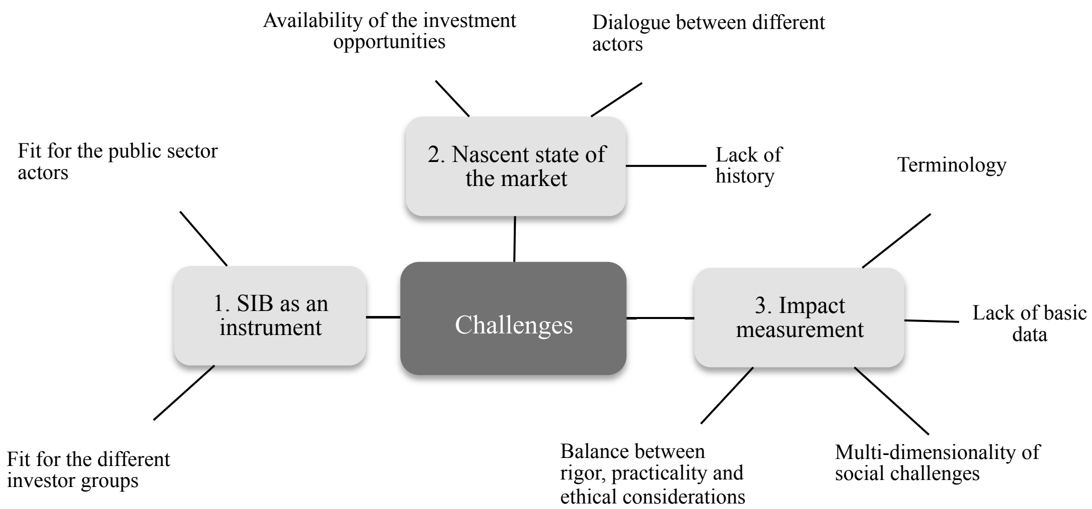

Figure 8 Thematic network 3: The current challenges in the Finnish market

SIB related challenges constitute the first organizing theme, which explores the attractiveness of the instrument from different actors' perspective. First, the application of the SIB instrument can be discussed in terms of how commissioners of outcomes adapt to its use. In Finland, as well as in general, commissioners are often public sector actors such as municipalities. The interviewees deem that a certain level of "courage" is required from the municipal actors in the adoption of SIB as they are generally less agile and more cautious to make decisions due to their heavy organizational structure. On the other hand, the tendency to change resistance is an inherent part of human behaviour and does not concern only the public sector. Furthermore, the on-going large-scale social and healthcare sector reform (SOTE) in Finland creates an additional level of uncertainty among the municipalities about what kind of decisions they are allowed to make. This relates to the fact that the decisions they make affect the newly formed counties as well. On the other hand, this rather fundamental modification of the public sector structures can is also seen as an opportunity since it may be easier to introduce other new practices "on the side" such as the shift towards outcomes-based purchasing.

Another interesting point involves the role of the public sector in the context of the "welfare state". Traditionally, the public sector and tax revenues have played a big role in providing services for the citizens and especially for the more vulnerable groups. Therefore, involving the private capital in social issues may bump into some ideological challenges.

> *There are also ideological challenges here. Some think that these [SIBs] finance things considered as a matter of honor that in this kind of welfare state society cares for its members and the most vulnerable ones. So in a way, this is also seen as a threat to our welfare state. - - On the contrary, others see that why wouldn't we utilize other instruments to cover the expenses if they exist, because after all, public funds are limited. (Representative of an impact-driven organization 4)*

The ideological challenges of SIBs are also pointed out in the literature. According to Fraser et al. (2018, 12), some consider that the private sector is interfering in matters that do not concern it and it is a step back to a pre-welfare state time. On the other hand, it should be noted that the purpose of SIBs is not to replace the public services entirely, but rather to complement them (see e.g. Jackson 2013, 612). Furthermore, not all things are equally attractive investment targets for the private investors. According to the representative of an impact-driven organization 4, although it may be rather easy to pool money for interventions designed to help children, there are also social issues that will inevitably remain under the responsibility of the public sector.

The attractiveness and suitability of the SIB instrument can also be viewed from the perspective of the investors. To begin with, the several interviewees note that SIB is a rather complex and costly instrument for private investors, and involves rather high transaction costs. Indeed, the price tag of getting involved may be an obstacle for small-scale investors since it may cost, at the minimum, 250 000 euros to buy your share of the agreement (Yle Uutiset 2016). The perceived complexity derives from the high number of actors involved in the process, including the intermediary organization, the commissioner, the investors and the organizations that are expected to deliver the intervention. Furthermore, there may be a need for other measuring and modelling experts as well, which help to set out the contract, the objectives and the indicators used to measure whether the objectives are met. This inevitably also increases costs as well as the preparation time of the contract. Indeed, due to the involvement of multiple actors, SIBs are, to a high degree, negotiation processes:

> *-- Then a compromise had to be made. When the discussion moves on to money, then it is actually a negotiation process more than anything else. Of course, there is a lot of modelling, and other things in the background. But when [the process] reaches the point where different parties start to put money on the table, then – especially the outcomes indicators – they have to be such that they are able to live with them. (Impact measurement expert 2)*

Furthermore, there may exist varying preferences on the expected level of financial returns. For a starting point, it can be pointed out that the Finnish SIBs are aimed to provide a return on investment (approximately 5-8 % annually). However, the profit aspect is not that straightforward and the investors may be uncertain about how it affects their public image if they earn high returns on impact investments. On the other hand, this perceived ceiling for financial returns might prevent certain groups from participating in the first place. These points are illustrated by the following quotations.

> *My interpretation and analysis of this matter are that they are also looking for [positive] PR at this stage. As many have said, it would be really embarrassing for them if they [investors] would earn high returns on [these] investments, since they do not intend to exploit a system that is already quite poor. (Representative of an impact-driven organization 4)*

> *One thing is how the profit objective is determined. At times there has been discussion on whether it is right or wrong that this [these investments] offer a return on private capital, but of course, if there is no return, the private capital will not participate in this. (Institutional investor)*

As these quotes demonstrate, the investors may have different kind of expectations and motives for participating in the SIB contract. In the chapter 5.2.1, it was presented that the first movers in the Finnish SIB funds include a foundation and a religious organization. In the literature, these types of investors are typically seen as leaning more towards the impact dimension of the investment (see e.g. O'Donohoe et al. 2010, 22). Indeed, from investors' perspective, SIBs have sometimes been considered as a niche for social investors (Fraser et al. 2018,11).

The second organizing theme includes various issues typical for a nascent market. According to the representative of Sitra, one of the most fundamental issues is that the different elements of the market should be established simultaneously. Increasing the number of impact-driven organizations requires that there are investors that allocate their investments on the basis of impact and/or the public sector acquires services in an outcomes-based manner. On the other hand, the investor's will not emerge if there are no impact investments targets to begin with. Thus, the creation of a thriving impact investing ecosystem is a two-way street, where the emergence of one side is contingent on the other and they need to exist co-side. This has also been referred to as a classic chicken-egg problem typical for early stage impact investing markets (Petrick et al. 2016, 44).

As stated earlier, supportive measures have been taken to improve the capabilities of the demand side and the "buy side" of the equation, i.e. the public sector actors as commissioners of outcomes. However, opportunities for making impact investments by other means than through a SIB fund are limited. First and foremost, two investor interviewees note that the availability of impact investment targets is low. This is problematic since the overall market does not emerge from a few investment opportunities but there should be selection and competition among them. In addition, there is no private equity funds clearly specialized in making equity investments in impact-driven organizations. The existence of such funds might be a valuable tool for investors, providing them a closer look into the world of impact investments.

The second early stage issue relates to how well impact investing is known as well as how the different actors communicate with each other. Naturally, at this initial stage, the overall awareness and knowledge among investors, investees and public sector actors alike should be increased. Furthermore, the investors may need more information about the "mechanism" of impact investing. Namely this means how the additional element, impact, affects the way that things work compared to traditional investments. Nevertheless, investors see that there is a lot of potential in the investor surface to engage in impact investing, and thus, also awareness among impact enterprises should be increased in terms of the new funding opportunities available for them.

Finally, from investors' perspective, one of the biggest challenges seems to be also the lack of history.

> *The investor mindset is often such that you want to see how things have gone before, in some similar [case]. You can compare whether this is generally speaking a rational [investment] target. And that probably applies to impact investing as well. So if you look at an impact investment target, you search for a reference point, like how some similar [cases] have succeeded before. When there isn't really such history about impact investing, it is quite challenging to get the ball rolling. (Business angel investor)*

Therefore, there is a need to accumulate a track record of successful impact investment cases. It is also a key to increasing awareness about the concept as well as growing the overall market.

A common challenge for all is the measurement of impact, which constitutes the third and final organizing theme. First, although the measurement of impact is attracting more widespread interest, it is still a rather new practice. Therefore, many impact-driven organizations are still in the search of appropriate tools and lack enough basic data, which would currently enable them to evaluate their impact on a bigger scale. The way to overcome this is simply to let the time pass and wait for the data to accumulate sufficiently. Besides allowing a more statistically robust measurement, it is considered a necessary factor in order to demonstrate the trustworthiness and consistency of the organization. In other words, that the organization is truly capable of producing measurable impact.

Furthermore, social issues are complex and multidimensional phenomena, thus difficult to measure:

> *This is one of the key things, that how the meters should be set so that they measure the right thing. Because these kinds of indicators are always very simplifying, and we are talking about very extensive phenomenon here so whether they can be encapsulated in a few indicators – that is very challenging. -- So [finding] the solution to this problem is one of the key challenges in impact investing. (Institutional investor)*

Regarding the multidimensionality, the interviewees explain that especially the social and healthcare services often need to be tailored to suit the needs of different types of individual groups. In practice, this means that one organization may have multiple service lines and therefore, would also need to develop different measurement systems for each one. Indeed, what it comes to the existing measurement tools, there is no "magic bullet", which would answer to the various needs of different organizations and actors

Organizations also have to choose what kind of terms they decide to use in impact measurement. The research on impact measurement has varying ways of making a difference between inputs, outputs, outcomes, and impact, which manifests itself in practice as well. To put it clearly, the different actors may talk about the same term but mean different things. Moreover, the translation of these terms from English to Finnish makes matters yet a more difficult task since they can be translated in varying ways. The aforementioned complexity is illustrated by the following quotes.

> *The language here is a bit complicated. -- Evaluating, or measuring, the impact is like considering whether we have achieved something that has longer-term effects. -- We have thought it in a way that, what we see in our daily work -- they are outputs or outcomes from the input we have made. -- So we have divided it in a way that, what we can see here and now, that is not yet impact. (Representative of an impact-driven organization 4)*

> *In my opinion, we have defined it [the impact] in a [following] way. Like there are results and through those results, I think it starts with what the overall effect is. -- So the overall effect isn't necessarily visible in the [preliminary] results but manifests itself in the long term. -- From my point of view, this is what impact means. It's not merely a measured result after some process, at a certain time. I see the impact being this kind of long-lasting [thing] that starts to reflect elsewhere as well. (Representative of an impact-driven organization 1)*

Based on the above discussion, the impact is considered to be something more permanent; something that manifests itself within a longer time horizon and more broadly. This longer time frame and the broad scope of impact also increases the complexity of the measurement. Namely, these relate to the balance sought between the rigor and practicality, and on the other hand, the balance between rigor and ethics. First, the balance between rigor and practicality refers to the need to measure detailed enough but simply. Many existing frameworks for measurement can be quite laborious if everything is done exactly "by the book". This can be problematic especially for small organizations with fewer resources. Indeed, the greater the level of detail, the greater the involved costs as well.

Furthermore, the level of detail relates also to the issue called contribution/attribution problem. In other words, within a long time horizon, there are many things that affect the target group and generate changes in it. Therefore it can be quite challenging to determine what has each actor's contribution been to the observed change in the target group. On one hand, this dilemma can be addressed by utilizing control groups when designing interventions. On the other hand, the Representative of Sitra and Impact measurement expert 1 explain that utilizing control groups is not such a straightforward matter since there may be ethical consequences involved in it. In practice, this means for example a situation where the target population of the intervention is divided into two groups, of which the other is treated and the other is used as a test group. Therefore, keeping the other half away for things that are most likely beneficial for them may not be an ethically acceptable way to evaluate the success of the intervention.

6 CONCLUSIONS

The aim of this study was to conduct an initial mapping of the Finnish impact investing market. The following objectives were identified as important to achieve the stated aim:

1. to examine how the concept of impact investing is understood in the Finnish context
2. to examine the structure of the market ecosystem including existing actors, investment instruments and supportive measures
3. to explore the perceived opportunities of impact investing that encourage participation in the market
4. to identify the perceived challenges that impede participation in the market

Generally speaking, the overall conclusion that can be drawn from the empirical findings is that the Finnish impact investing market is currently strongly organized around the application of the SIB model. Moreover, SIBs can originally be seen to have had dual objectives in the Finnish context: 1) to increase outcomes-based procurement in the public sector and 2) to establish a broader impact investing ecosystem in Finland with a variety of different instruments and actors. Currently, considerable effort has been directed towards advancing the first of the abovementioned objectives, and targeted support has been given in order to increase the awareness and capabilities of the public sector actors as well as impact-driven organizations. However, the broader impact investing ecosystem is still lacking some fundamental elements that would encourage wider participation in the market. It seems that SIB is the only instrument that has been used under the broader term of impact investing.

The following discussion examines in further detail about the theoretical and practical implications of this study. The theoretical contributions section corresponds to the first objective of this study and explores the similarities and differences on a conceptual level. Moreover, it is examined how the boundaries between the concepts of SIB and impact investing may have been blurred. The discussion then moves on to the more practical considerations as well as recommendations for future steps in developing the impact investment market in Finland. Finally, suggestions for future research are discussed in conjunction with evaluating the limitations of this study.

6.1 Theoretical contributions

Based on the interviews, the definition of impact investing did not differ considerably from either the international definition or the definition given by the current literature. Investors characterized it as evolution or as a step forward within the SRI field, which corresponds to some authors' definition (see e.g. Hebb 2013, 71). Furthermore, impact investing was also seen to go beyond the traditional SRI strategies such as negative screening. In the literature, the more proactive approach to pursuing impact has namely been one of the ways to draw a line between SRI and impact investing (see e.g. Höchstädter & Scheck 2015, 456).

Moreover, the key elements that pertain to impact investing and which were presented in the theory chapter 2 emerged in the discussions. The interviewees acknowledged the need for investors to obtain financial returns and achieve a specific impact objective. Some of the interviewees stated that the objective is to be intentional and measurable. However, when discussing impact objectives with the interviewees, there was a strong association to the public sector. At times, this association was also included in the definition of impact investing. The institutional investor, for instance, characterized impact investing as an action that contributes to the achievement of the objectives that have traditionally been set for the public sector. This is most likely explained by the fact that the discussions were dominated by references to the SIBs and the outcomes-based procurement in the public sector, which has also been the main instrument to execute impact investing in Finland.

However, what is notable is that some of the interviewees did not seem to be aware that 1) SIBs only form a part of a broader impact investing field and 2) impact investments can be made with a variety of instruments relating to both social and environmental objectives. Rather, when prompted about other ways of doing impact investing, the discussion directed into the features that are typical to SIBs such as the considerable large amount money that is needed to participate. It was also stated that even though the impact of the investments may be considerable, the financial returns might be relatively lower. In this context, the first investors that had participated in the market were characterized as mission-oriented or the type of investors that have “a sincere will to do good”. Furthermore, it was stated that these investors may not even seek high financial returns in the fear of being considered exploiting vulnerable groups for the purposes of making money.

Moreover, this potential synonymous use of the terms SIBs and impact investing was further considered on the basis of the discussions with the organizations. First, and as mentioned earlier, the organizations expressed a strong interest towards the SIBs or similar type of collaboration with the public sector. However, when questioned about whether they had sought to collaborate directly with the investors, the interviewees seemed rather uncertain about the ways they could utilize the impact dimension if discussing with the *regular* investors. It was pointed out that even though the organizations may interest someone as a *business investment*, the investors might not even need the information about the impact dimension. Rather, the investors’ concern would likely be the profit aspect of their business model. However, it is notable that one reason for the emergence of the impact investing has namely been to provide capital for organizations that address environmental and social challenges therefore bringing their solutions to scale (see e.g. Social Impact Investing Taskforce 2014a, 8–9). Moreover, impact investors may present a new class of investors whose values are more closely aligned with the impact driven organizations (see Roundy et al. 2017, 506).

6.2 Practical implications

The application of the SIB model seems to have risen in popularity in Finland since there are currently six SIBs and one EIB (environmental impact bond), either in operation or planned. Discussions held with the interviewees regarding the opportunities of impact investing were mainly related to the application of the SIB instrument. Organizations, in particular, are interested in taking part in SIBs or in other similar collaboration opportunities with the public sector. Indeed, one of the perceived benefits of SIBs in the literature is that it may allow the service provider to participate in an outcomes-based contract to begin with. This is especially true regarding smaller enterprises that may not have enough working capital to provide the services in advance of payment. (see e.g. Ronicle et al. 2014, 26.)

Besides SIBs, there is a lack of methods that could be utilized in the execution of impact investing. So far, much of the resources have been focused on advancing the application of the SIB model as well as engaging and increasing the capabilities of the impact-driven organizations and the actors in the public sector. Several measures taken to this end, such as the Impact Accelerator program and the Impact Boot Camp, have inevitably been important. The lack of viable business models has, generally speaking, impeded the growth of impact investing as often a certain level of capacity development is required in order for organizations to reach "the investment-ready stage". (see Harji & Jackson 2012, 28–29). In fact, the investors interviewed in this study consider the lack of available investment targets to be one of the biggest issues at the moment and therefore, continuing to support the development of the supply side is extremely important.

However, although SIBs may serve as an initial instrument to introduce the broader concept of impact investing in Finland, it is most likely not adequate alone in the long run should a wider impact investing market be established. SIBs are considered as rather complex contracts, requiring significant resources from an investor who is willing to take part. Therefore, focusing on the development of impact oriented funds or crowdfunding platforms would enable smaller, private investors to participate and get familiar with the world of impact investing. Hence, it would also increase awareness about impact investing.

In addition, the results implicate that currently the supply and demand side (organizations and investors) do not directly communicate with each other about the impact investment opportunities. In Finland, the Finnish Innovation Fund (Sitra) has been the initiator as well as the main organizing party and facilitator in building the local impact ecosystem. Although Sitra has done foundational work, it should be noted that as an organization, it has many other key responsibilities and projects as well, and these projects are set on a temporary basis. Therefore, as the project around impact investing comes to an end, this work would need to be continued by someone.

To this end, an effective intermediation has been suggested as a foundational element in bringing supply and demand of impact capital together (see e.g. Frereich & Fulton 2009, 44). Effective intermediation could facilitate the comprehension of different terms, identify and facilitate the interaction between the demand and the supply side, and increase the general awareness and knowledge among different stakeholders. Moreover, an intermediary organizations specialized in impact measurement could potentially help both investors and the investees in setting up tools for measurement and harmonizing the way in which they speak about their impact.

6.3 Limitations and future research

As noted in the introduction, the theoretical foundation for impact investing is still missing to a great extent and the industry practitioners lead the current research efforts on the topic. Although studying such a new topic has significant potential for providing valuable and new insights, it also poses several restrictions. This study was affected by the limited amount of, and access to, relevant literature. Even though several potentially useful academic resources were discovered, access to them was restricted. Therefore, the theoretical foundation of this study was formed by a combination of both academic and non-academic resources.

At the time of conducting this study, little identifiable research existed about the Finnish context of impact investing. The current or potential actors in the Finnish impact investing ecosystem, as well as the overall structure of the market were identified as a result of collecting empirical material. When investors, impact-driven organizations and intermediaries were identified, the author sought to engage with these stakeholders to map out the initial landscape, as well as the potential opportunities and challenges that the stakeholders may have.

However, a word of caution is in order here. The relatively small sample size (10 interviewees) means that the findings of those interviews cannot be generalized to a broader scale. Perhaps one of the most valuable contributions of this study is the broadened understanding of the current landscape and the identification of the potential ecosystem actors and future research topics. First, future studies could explore the identified ecosystem actors individually, focusing on a specific group in more depth. Also, adopting a more structured research design in collecting empirical material is advised, as it would enable the data collection in a greater volume and focusing on a specific theme. For the most part, the interviews in this study were conducted in an unstructured manner. Even though that facilitated the formation of a broader understanding of the topic, it also resulted in scattered answers around several themes.

Furthermore, there are some specific topics that may be of interest to future research. First of all, it may be interesting to study the SIB contracts at the point when the project has ended and the final outcomes have been evaluated. Like impact investing, SIBs are also a novel concept and the research on the financing instrument is reportedly inadequate. This would be especially justified in the Finnish context, since it seems that impact investing has so far mainly been conducted with this model. Moreover, the SIBs have generated a lot of controversial debates, others viewing it as a win-win case and other as a threat to the basic structure of the well-fare system. Therefore, the future research could also study the SIBs from the perspective of different actors. In addition, future research could seek to conduct studies among those who have taken part in SIBs regarding their experiences and understanding on the success of these contracts and on what grounds they characterize the success.

Another topic that may be of interest to future researchers is the latent potential between the different investor groups. Tapping the potential of the “right” group, that is, in which the interest may be the greatest, may help to grow the market and increase awareness about among other investor groups as well. Although especially engaging institutional investors has been considered important for the market (see e.g Brandstetter & Lehner 2015, 88), the previous research has also pointed out the similarities between the angel investors and impact investors (see Roundy et al. 2017, 499–500). Moreover, the angel investor interviewed in this study reinforced this point by stating that investor, after all, are *not that coldly profit oriented.* Rather, they wish to see their investments contribute to the well-being of society. Therefore, one group among which future research could be conducted is the Finnish Business Angel Network (FIBAN). In addition, an interesting academic source that was included in this thesis was that of Louche et al. (2012, 307), who noted that religious organizations have engaged in impact investing from the start, although their role and potential is often neglected in the literature. It can be added that the Orthodox Church of Finland has been among the first investors in the SIB contracts. Therefore it could be an interesting topic to map out the current investing practices among the religious organizations in Finland.

Regarding the demand side, social enterprises and social sector organizations have been pointed out as the potential recipients of impact capital (see e.g. ecosystem figure in chapter 3). Therefore it may be interesting to research these organization types in the Finnish context in terms of their current financing needs and preferences. As a starting point for this kind of research, it should be pointed out that The Finnish Social Enterprise Mark was launched in 2011. In addition, in 2015 Etla published a study that mapped out the state of social enterprises in Finland and estimated that there are possibly even 19 000 social enterprises in Finland (Kotiranta & Widgrén 2015, 3). The aforementioned resources can provide some channels to identify the existing social enterprises in Finland.

In addition, one potential, and surely necessary, topic for future research would be the measurement of impact. The definition of impact itself generated a rich discussion with the interviewees, and there indeed exists different ways to define it. Moreover, based on the finding of this study, different organizations have started to increasingly develop their impact measurement practices and also perceive it as a potential competitive advantage in the future. Therefore studying these practices as well as the underlying reasons for them could provide some valuable insights. In this regard, several initiatives such as the Impact Accelerator and the Impact Bootcamp concepts, have aimed to strengthen the organizations capabilities in measuring impact. Therefore, it may be interesting to study how these initiatives have affected the organizations' practices and whether they differ from other organisations as a result of that. This could also be valuable for the program design itself, in terms of how effective they have been and how they may be modified or transferred into new concepts.

7 SUMMARY

Recently, there has been a lot of discussion about strengthening the role of the private sector to better address the challenges of the 21st century and to boost the realization of the sustainable development goals (SDGs). Over the last decade, one topic that has increasingly gained popularity both in business and in public policy is impact investing, which dovetails the objective of pursuing financial returns and seeking social or environmental impact within the same investment. Hence, impact investors believe that they can both do well and do good. Since the initial establishment of the term between 2007 and 2008, the efforts to build a formal impact investing market have significantly increased including strengthening the participation of various different investor groups as well as setting up of impact measurement tools and reporting standards.

However, despite the growing interest in impact investing, the topic lacks proper theoretical foundation and a commonly agreed definition for the concept is yet to be found. Moreover, the number of researchers that have sought to explore this novel topic is relatively low, and the industry practitioners currently lead the research efforts. Therefore, the aim of this study was to address the identified gap in the academic literature by exploring the current landscape of impact investing market in the Finnish context. The following objectives were identified to achieve the aim of the study:

1. to examine how the concept of impact investing is understood in the Finnish context
2. to examine the structure of the market ecosystem including existing actors, investment instruments and supportive measures
3. to explore the perceived opportunities of impact investing that encourage participation in the market
4. to identify the perceived challenges that impede participation in the market

In order to answer the aforementioned research questions, this study adopted a qualitative and explorative research design and employed unstructured interviews as a method for collecting empirical data. Moreover, perspectives on these matters were collected among the different, current or potential, players in the market. The interviews were conducted altogether among ten participants, including two investors, four impact-driven organizations, two impact measurement experts, one representative of impact investment fund and one representative from Sitra.

According to the findings of this study, the Finnish impact investing market is currently strongly organized around the application of the SIB model and some of the fundamental elements for establishing a broader impact investing ecosystem are still mainly missing. These elements include alternative instruments for SIB as well as private equity funds that would be specialized in making impact investments. Moreover, two other factors that impede the wider engagement from the investor side are the availability of impact investment targets as well as the lack of previous examples, which makes it more challenging for investors to evaluate the potential of the existing investment opportunities.

The potential and the positive aspects of SIB instrument were noted throughout the interviews. Perceived opportunities of SIBs were especially related to the shift towards outcomes-based procurement in the public sector and increasing the proportion of preventive interventions in the public sector service provision. In addition, the introduction of SIB contracts may also provide new market opportunities for impact-driven organizations. The organizations interviewed in this study expressed a rather strong interest in taking part in SIBs, or similar contracts with the public sector.

However, the strong orientation around the SIB instruments may have, at least to a certain extent, blurred the lines between the definitions of impact investing and SIB. In consequence, some may currently interpret these terms rather synonymously. On one hand, the general conceptual elements of impact investing emerged in the discussions and correspond to those in the existing literature. On the other hand, there was also a strong association between impact investing and SIBs as well as impact investing and the objectives of the public sector. This may indicate that some of the respondents were not aware of the full array of impact investing, which covers a variety of different investing instruments.

Finally, various efforts have been made to increase the capabilities of impact-driven organizations in terms of their impact measurement as well as the development of financially sustainable business models. These efforts have inevitably been important since the viability of business models has been noted as one issue that decreases the perceived availability of impact investment targets from the investors' perspective. However, targeted support is also needed to build the supply side of the equation, i.e. the impact investors. Furthermore, it is crucial to find a way to bring these two sides effectively together, which can be aided by supporting the development of intermediary organizations. Although Sitra has carried out foundational work in initiating the establishment of impact investing ecosystem, its temporary project around impact investing is coming to an end. Therefore, there is a need for more actors to step in. Strong intermediaries could help to clarify the terminology of impact investing as well as increase the general awareness and knowledge about the topic. Moreover, intermediary organizations specialized in impact measurement could accelerate the implementation of appropriate systems and tools for measurement. As noted by the investors interviewed in this study, there may be a lot of latent potential among the investors to engage in impact investing. However, that potential remains largely untapped.

REFERENCES

Attride-Stirling, Jennifer (2001) Thematic networks: An analytic tool for qualitative research. *Qualitative Research,* Vol. 1(3), 385–405.

Barclay, Lisa – Symons, Tom (2013) A technical guide to developing social impact bonds. Social Finance, London. < https://www.socialfinance.org.uk/sites/default/files/publications/technical-guide-to-developing-social-impact-bonds1.pdf>, retrieved 18.2.2018.

Bishop, Matthew – Green, Michael (2015) Philanthrocapitalism rising. *Society,* Vol. 52 (6), 541–548.

Brandstetter, Lisa – Lehner, Othmar M. (2015) Opening the market for impact investments: The need for adapted portfolio tools. *Entrepreneurship Research Journal,* Vol. 5 (2), 87–107.

Brown, Reva Berman (2006) Doing your dissertation in business and management. SAGE Publications, London.

Bryman, Alan – Bell, Emma (2015) Business research methods. Oxford University Press, New York.

Bugg-Levine, Antony – Emerson, Jed (2011) Impact investing: Transforming how we make money while making a difference. *Innovations,* Vol. 6 (3), 9–18.

Calderini, Mario – Chiodo, Veronica – Michelucci, Fania Valeria (2018) The social impact investment race: toward an interpretative framework. *European Business Review*, Vol. 30 (1), 66–81.

Clark, Cathy (2016) Navigating impact investing: The opportunity in impact classes. A Tideline working paper, Duke University. <https://missioninvestors.org/sites/default/files/resources/Navigating%20Impact%20Investing.pdf>, retrieved 18.2.2018.

Clarkin, John E – Cangioni, Carole L. (2016) Impact investing: A primer and review of the literature. *Entrepreneurship Research Journal,* Vol. 6 (2), 135–173.

Clyde, Paul – Karnani, Aneel (2015) Improving private sector impact on poverty alleviation: A Cost-Based Taxonomy. *California Management Review*, Vol. 57 (2), 20–35.

Combs, Kristi (2014) More than just a trend: The importance of impact investing. *Corporate Finance Review,* Vol. 18 (6), 12–18.

Daggers, Jess – Nicholls, Alex (2016) The landscape of social impact investment research: Trends and opportunities. Said Business School, University of Oxford. <https://www.sbs.ox.ac.uk/sites/default/files/research-projects/CRESSI/docs/the-landscape-of-social-impact-investment-research.pdf>, retrieved 1.9.2017.

Deloitte (2017) Apprehensive millennials: seeking stability and opportunities in an uncertain world. The 2017 Deloitte Millennial Survey. <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>, retrieved 4.2.2018.

Fine, David – Hickson, Hugo – Pandit, Vivek – Tuinenburg, Philip (2018) Catalyzing the growth of the impact economy. Article December 2018, McKinsey & Company. <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/catalyzing-the-growth-of-the-impact-economy>, retrieved 9.12.2018.

Giacomantonio, Chris (2017) Grant-maximizing but not money-making: A simple decision-tree analysis for social impact bonds. *Journal of Social Entrepreneurship,* Vol. 8 (1), 47–66.

Kotiranta, Annu – Widgrén, Joona (2015) Esiselvitys yhteiskunnallisesta yrittämisestä: Katsaus yhteiskunnallisiin yrityksiin ja vaikuttavuusinvestoimiseen Suomessa. ETLA Raportit No 46. <http://pub.etla.fi/ETLA-Raportit-Reports-46.pdf>, retrieved 8.9.2017.

Emerson, Jed (2003) The blending value proposition: Integrating social and financial returns. *California Management Review,* Vol. 45 (4), 35–51.

Epiqus.fi / About. <https://www.epiqus.com/about.html>, retrieved 26.12.2018.

Eriksson, Päivi – Kovalainen, Anne (2008) Qualitative methods in business research. SAGE Publications, London.

Fisher, Colin (2010) Researching and writing a dissertation: An essential guide for business students. Pearson Education Limited, Harlow.

Fraser, Alec – Tan, Stefanie – Lagarde, Mylene – Mays, Nicholas (2018) Narratives of promise, narratives of caution: A review of the literature on social impact bonds. *Social policy & Administration,* Vol. 52 (1), 4–28.

Freireich, Jessica – Fulton, Katherine (2009) Investing for Social & Environmental Impact: A design for catalyzing an emerging industry. Monitor Institute. < https://www2.deloitte.com/global/en/pages/financial-services/articles/investing-for-socialandenvironmentalimpact.html>, retrieved 18.1.2018.

Gibson, William J. – Brown, Andrew (2009) Working with qualitative data. SAGE Publications, London.

Ghauri, Pervez – Grønhaug, Kjell (2005) Research methods in business studies: A practical guide. Pearson Education Limited, Harlow.

GIIN (2017) Annual Impact Investor Survey 2017. <https://thegiin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf>, retrieved 21.9.2017.

GIIN (2018) Annual Impact Investor Survey 2018. < https://thegiin.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf>, retrieved 26.12.2018.

Gillham, Bill (2005) Research interviewing: The range of techniques. Open University Press, Maidenhead.

Glänzel, Gunnar – Scheuerle, Thomas (2016) Social Impact Investing in Germany: Current Impediments from Investors' and Social Entrepreneurs' Perspectives. *Voluntas,* Vol. 27 (4), 1638–1668.

Gsgii.org/About GSG. < http://gsgii.org/about-us/#aboutgsg.>, retrieved 26.12.2018.

Harij, Karim – Hebb, Tessa (2010) Impact investing for social finance. ANSER Conference, Carleton Centre for Community Innovation. Montreal. <https://carleton.ca/3ci/wp-content/uploads/Impact-Investing-for-Social-Finance-v1.pdf>, retrieved 27.3.2018.

Harji, Karim – Jackson, Edward T. (2012) Accelerating impact: Achievements, challenges and what's next in building the impact investing industry. The Rockefeller Foundation, New York. < https://www.rockefellerfoundation.org/report/accelerating-impact-achievements/>, retrieved 27.3.2018.

Hebb, Tessa (2013) Impact investing and responsible investing: what does it mean? Editorial. *Journal of Sustainable Finance & Investment,* Vol. 3 (2), 71–74.

Hesse-Biber, Sharlene Nagy – Leavy, Patricia (2011) The Practice of qualitative research. SAGE Publications, Thousand Oaks.

Höchstädter, Anna Katharina – Scheck, Barbara (2015) What's in a name: An analysis of impact investing understandings by academics and practitioners. *Journal of Business Ethics,* Vol. 132 (2), 449–475.

Jackson, Edward T. (2013 Evaluating social impact bonds: questions, challenges, innovations, and possibilities in measuring outcomes in impact investing. *Community Development,* Vol. 44 (5), 608–616.

Katz, Amy S. – Brisbois, Benjamin – Zerger, Suzanne – Hwang, Stephen W. (2018) Social impact bonds as a funding method for health and social programs: Potential areas of concern. *American Journal of Public Health,* Vol. 108 (2), 210–215.

Koskinen, Ilpo – Alasuutari, Pertti – Peltonen, Tuomo (2005) Laadulliset menetelmät kauppatieteissä. Vastapaino, Tampere.

Lincoln, Yvonna S. – Guba, Egon G. (1985) Naturalistic inquiry. SAGE Publications, Beverly Hills.

Louche, Céline – Arenas, Daniel – van Cranenburgh, Katinka C. (2012) From preaching to investing: Attitudes of religious organisations towards responsible investment. *Journal of Business Ethics,* Vol. 110 (3), 301–320.

Lütjens–Schilling, Lena –Scheck, Barbara (2015) Mapping the market: Conditions and potential for building an impact investment market in Morocco. IIPC, Impact Investing Policy Collaborative. < https://www.researchgate.net/publication/297408069_Mapping_The_Market_Conditions_and_Potential_for_Building_an_Impact_Investment_Market_in_Morocco>, retrieved 14.12.2018.

Maier, Florentine – Michael Meyer (2017) Social Impact Bonds and the Perils of Aligned Interests. *Administrative Sciences,* Vol. 7 (3), 1-10.

Martin, Maximilian (2015) Building impact businesses through hybrid financing. *Entrepreneurship Research Journal,* Vol. 5 (2), 109–126.

Mendell, Marguerite – Barbosa, Erica (2013) Impact investing: a preliminary analysis of emergent primary and secondary exchange platforms. *Journal of Sustainable Finance & Investment,* Vol. 3 (2), 111–123.

Michelucci, Fania Valeria (2017) Social Impact Investments: Does an alternative to the Anglo-Saxon paradigm exist? *Voluntas*, Vol. 28 (6), 2683–2706.

Mitchell, Katharyne (2017) Metrics millennium: Social impact investment and the measurement of value. *Comparative European Politics,* Vol. 15 (5), 751–770.

Naatus, Mary Kate – Corea, Claire (2016) Urban impact investing: Keeping results local. *The Journal of Applied Business and Economics,* Vol. 18 (6), 130–139.

National Impact Investing Advisory Board (2018) Statement, 13.11.2018. <https://media.sitra.fi/2018/11/13131924/sitravaik.invohjausryhmakannanottofin13112018.pdf> retrieved 26.12.2018.

Petrick, Stephanie – Phineo gAG with Birnbaum, Jeremy – Bertelsmann Stiftung (2016) Social Impact Investment in Germany: From momentum to implementation. Market Report 2016. Bertelsmann Stiftung, Social Investment: Financing Social Change. < https://www.bertelsmann-stiftung.de/fileadmin/files/user_upload/Market_Report_SII_in_Germany_2016.pdf >, retrieved 18.1.2018.

O'Donohoe, Nick – Leijonhufvud, Christina – Saltuk, Yasemin, Bugg-Levine, Antony – Brandenburg, Margot (2010) Impact Investments: An Emerging Asset Class. J.P. Morgan, Rockefeller Foundation, and the Global Impact Investing Network. < https://www.jpmorganchase.com/corporate/socialfinance/document/impact_investments_nov2010.pdf>, retrieved 14.3.2018.

Ormiston, Jarrod – Charlton, Kylie – Donald, M. Scott – Seymour, Richard G. (2015) Overcoming the challenges of impact investing: Insights from leading investors. *Journal of Social Entrepreneurship,* Vol. 6 (3), 352–378.

Patton, Michael Quinn (1989) Qualitative evaluation methods. SAGE Publications, Newbury Park.

Ronicle, James – Stanworth, Neil – Hickman, Edward – Fox, Tim (2014) Social impact bonds: The state of play. Big Lottery Fund, London. < https://golab.bsg.ox.ac.uk/resources/social-impact-bonds-state-play/>, retrieved 13.5.2018.

Roundy, Philip – Holzhauer, Hunter – Dai, Ye (2017) Finance or philantrophy? Exploring the motivations and criteria of impact investors. *Social Responsibility Journal,* Vol. 13 (3), 491–512.

Shapiro Ruth A. (2018) Impact Investing in Asia: Just getting started. In: *Pragmatic Philanthropy*, 145–158. Palgrave Macmillan, Singapore.

Sitra (2018) Vaikuttavuuden askelmerkit – Työkaluja ja esimerkkejä palveluntuottajille. Heliskoski, Jonna – Humala, Heidi – Kopola, Riina – Tonteri, Anna – Tykkyläinen, Saila. Sitran selvityksiä 130.

Sitra article (2018a) Lasten ja nuorten SIB lähtökuopissa! Siis mikä? Sitra 19.5.2018. <https://www.sitra.fi/artikkelit/lapset-ja-nuoret-sib-kysymyksia-ja-vastauksia/>, retrieved 26.12.2018.

Sitra article (2018b) Impact investing a rising trend also in Finland – support from a network of renowned persons. Sitra article 3.7.2018. <https://www.sitra.fi/en/news/impact-investing-rising-trend-also-finland-support-network-renowned-persons/>, retrieved 26.12.2018.

Sitra news (2017a) Euroopan suurin SIB liikeelle Suomessa - työllistää maahanmuuttajia. Sitra 2.6.2017. <https://www.sitra.fi/uutiset/euroopan-suurin-sib-liikkeelle-suomessa-tavoitteena-tyollistaa-2500-maahanmuuttajaa/>, retrieved 26.12.2018.

Sitra news (2017b) Finland to become a member of the Global Steering Group for Impact Investment. Sitra 10.7.2017. <https://www.sitra.fi/en/news/finland-become-member-global-steering-group-impact-investment/>, retrieved 26.12.2018.

Sitra news (2018) What's happening with the Occupational well-being SIB? Sitra 13.2.2018. <https://www.sitra.fi/en/news/whats-happening-occupational-well-sib/>, retrieved 26.12.2018.

Sitra.fi / Impact Accelerator. < https://www.sitra.fi/hankkeet/vaikuttavuuskiihdyttamo/>, retrieved 26.12.2018 .

Sitra.fi / SIB funds. Available at < https://www.sitra.fi/en/projects/sib-funds/#what-is-it-about>, retrieved 26.12.2018.

Social Impact Investing Taskforce (2014a) Impact investment: The invisible heart of markets. Harnessing the power of entrepreneurship, innovation and capital for public good. < http://www.socialimpactinvestment.org/reports/Impact%20Investment%20Report%20FINAL%5B3%5D.pdf>, retrieved 4.9.2017.

Social Impact Investing Taskforce (2014 b) Allocating for impact. Subject paper of the Asset Allocation working group. < http://gsgii.org/reports/allocating-for-impact/>, retrieved 4.9.2017.

Trelstad, Brian (2016) Impact Investing: A brief history. *Capitalism and Society*, Vol. 11 (2), Article 4.

United Nations (2017) The Sustainable Development Goals Report. < https://unstats.un.org/sdgs/report/2017/>, retrieved 13.3.2018.

Warner, Mildred E. (2013) Private finance for public goods: social impact bonds. *Journal of Economic Policy Reform,* Vol. 16 (4), 303–319.

World Economic Forum (2013) From the margins to the mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors. A report by the World Economic Forum Investors Industries in collaboration with Deloitte Touche Tohmatsu. <http://www3.weforum.org/docs/WEF_II_FromMarginsMainstream_Report_2013.pdf>, retrieved 21.9.2017.

Wood, David – Thornley, Ben – Grace, Katie (2013) Institutional impact investing: practice and policy. *Journal of Sustainable Finance & Investment,* Vol. 3 (2), 75–94.

World Bank (2017) Year in review: 2017 in 12 charts. < http://www.worldbank.org/en/news/feature/2017/12/15/year-in-review-2017-in-12-charts>, retrieved 13.3.2018.

Yle (2016) Nuoret kaidalle polulle ja rahapotti sijoittajille – uusi malli hakee säästöjä, mutta voivatko kaikki voittaa? Yle 31.1.2016. <https://yle.fi/uutiset/3-8634124>, retrieved 26.12.2018.

Yle (2018) Privately-funded scheme aims to find jobs for 2,500 immigrants within next 3 years. Yle 25.2.2018. < https://yle.fi/uutiset/10091768>, retrieved 26.12.2018.

APPENDIX 1 – TRANSLATED INTERVIEW THEMES

THEME	EXAMPLES OF PROMPTS USED TO GUIDE THE INTERVIEW
Background information	- Could you tell me a bit about your organization and your current position? - What kind of link does you or your organization have to impact investing? - How have you become familiar with the topic of impact investing? - Could you tell me a bit about your participation in the Impact Accelerator Program?
Definitions	- How would you define impact investing? - How would you define impact? - How do you think impact investing relates to SRI? - As an investor, what kind of impact would you potentially seek? - What kind of impact does your organization seek?
Measurement	- How does your organization evaluate impact? - Why is impact measured? - What kind of tools do you use to measure impact? - What kind of tools exists to measure impact? - What is challenging in the measurement? - How is the data utilized? - What kind of benefits does the impact measurement bring to the organization? - What kind of information would you like to receive in terms of the achieved impact?
Perceived opportunities / challenges	- In your opinion, how does the current landscape look like? - What do you think motivates the participation in the market? - What do you think impedes the participation in the market? - How do you think impact investment fits in the Finnish context? - What do you see are the next steps in the market? - How do you see the social impact bond (SIB) model? - Has your organization applied external funding? - How would you see the future market development?