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Morality in Times of Uncertainty. The Moral Grounding of Impact Investing Asset Managers

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Abstract: This paper analyzes the moral discourse of contemporary "caring capitalists" through a Geneva-based study of impact asset managers seeking to generate measurable social and environmental results alongside a financial return. The discursive analysis reveals how strongly impact investing is grounded in the worldview of finance, in spite of its claim to transcend it. In a context of uncertainty about impact, we also show that principle-based deontological frameworks provide our participants with an attractive addition to their consequentialist reasoning.

Keywords: Impact investing, moral background, caring capitalism, sociology of morality, uncertainty

La moralité en temps d'incertitude. L'arrière-plan moral des gestionnaires d'actifs visant un investissement d'impact

Résumé : Cet article analyse le discours moral des «capitalistes bienveillants» (*caring capitalists*) contemporains à travers une étude genevoise sur les gestionnaires d'actifs à impact qui cherchent à générer des résultats sociaux et environnementaux mesurables en plus d'un rendement financier. L'analyse discursive révèle à quel point l'investissement d'impact est ancré dans la vision du monde de la finance, bien qu'il prétende la transcender. Dans un contexte d'incertitude quant à l'impact, nous montrons également que les cadres déontologiques fondés sur des principes offrent à nos participants un complément attrayant à leur raisonnement conséquentialiste.

Mots-clés : Investissement d'impact, moral background, caring capitalism, sociologie de la moralité, incertitude

Moral in Zeiten der Ungewissheit. Die moralische Grundlage von Impact Investing Asset Managern

Zusammenfassung: Dieser Artikel analysiert den moralischen Diskurs der zeitgenössischen «wohlwollenden Kapitalisten» *(caring capitalists*) anhand einer Genfer Studie über Impact Asset Manager, die neben einer finanziellen Rendite auch messbare soziale und ökologische Ergebnisse erzielen wollen. Die Diskursanalyse zeigt, wie tief das Impact Investing in der Weltanschauung der Finanzwelt verankert ist, obwohl es vorgibt, diese zu transzendieren. Vor dem Hintergrund der Unsicherheit über die Wirkung zeigen wir ausserdem, dass prinzipienbasierte ethische Rahmenwerke unseren Teilnehmern eine attraktive Ergänzung zu ihrer konsequentialistischen Argumentation bieten.

Schlüsselwörter: Impact Investing, moral background, caring capitalism, Soziologie der Moral, Unsicherheit

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1 Introduction

Contrary to Milton Friedman's famous claim that "the social responsibility of business is to increase its profits" (Friedman, 1970), many businesspeople maintain today, as they have in the past (Abend, 2014; Christiansen, 2015), that companies should not only focus on shareholder value but also on social and environmental value. Barman (2016) speaks of a "caring" turn taken by capitalism in recent years: using concepts such as "purpose" (Emerson, 2018), "impact" (Markman et al., 2019), or "shared value" (Porter & Kramer, 2019), caring capitalists seek to reconcile "money and mission". An emblematic case of contemporary caring capitalism is impact investing, an approach of investment that was developed over the last decade or so, initially through an initiative of the Rockefeller foundation who coined the term in 2007. Putting a clear emphasis on achieving socially and/or environmentally beneficial outcomes, this approach of investment aims to generate measurable social and environmental results alongside a financial return through financing of social enterprises or organizations active in sectors such as microfinance, energy, health care, education and sustainable agriculture (Global Impact Investing Network GIIN, 2019). From niche, impact investing is becoming more and more mainstream. In the last decade, it has attracted a wide variety of investors such as fund managers, development finance institutions, diversified financial banks and institutions, private foundations, family offices, non-governmental organizations (NGOs), religious institutions, and individual investors (Balsiger et al., 2025). For 2021, the size of this global market has been estimated at USD 1.1. trillion by the GIIN (2022).

So far, the sociological study of impact investment has focused on how its proponents seek to bring together their social/environmental objectives with their financial goals, studying in particular the discourses and actor coalitions they mobilize (Burnier et al., 2022; Golka, 2023; Hehenberger et al., 2019; Williams, 2020), the market devices and impact measurements developed (Barman, 2015; Chiapello & Knoll, 2020) and impact investors' motivations (Hellman, 2020; Roundy et al., 2017). Our study looks at this from yet another angle – a critical analysis of the moral discourse of impact investment professionals: what, according to impact investors' discourse, makes impact investing a desirable, worthy activity and why? To answer this question, we develop an approach that builds on Abend's (2014) framework to study the "moral background" of impact investors, i. e. the discursive, cognitive, and material elements that "facilitate, support, or enable" (Abend, 2014, p. 17) moral practices and opinions.

Studying impact investment asset managers in the Geneva region, a major global hub of traditional and "sustainable" finance as well as international development, on the basis of interviews and of document analysis, our analyses reveal that impact investing draws its moral legitimacy from both a transcending discourse that calls for overcoming the opposition between the economic and the social, and a more classical discourse that remains firmly within the limits and representations of the financial field. We also show that impact investing's discourse relies on both deontological and consequentialist arguments. This result was surprising, given that it is often argued that businesspeople are practical consequence-driven people interested in tangible results (Gustafson, 2018). We argue that in order to answer for their actions in a context of impact uncertainty (i.e. regarding the social/environmental performance of their investments), principle-based deontological frameworks may provide to our participants an attractive addition to their consequentialist reasoning.

This study contributes to a better understanding of what impact investors' moral arguments are made of. It contributes new insights into the "moral turn" of contemporary finance and more generally into the moral dimensions of economic lives (Balsiger, 2016) by focusing on morality itself. It is important to do so as finance increasingly draws on ethical justifications and is often portrayed as a crucial actor in order to reach the United Nations Sustainable Development Goals and the greening of the economy. In the current debate about the impact investing industry's ability to truly measure its social or environmental impacts (Busch et al., 2021), this paper describes the moral work of impact asset managers and examines how they justify their practices, while not compromising their reputation and legitimacy.

2 Studying the Morality of Business

The rise of organizations promoting a discourse of "both-and", a compatibility between "money" and "mission", is a characteristic feature of contemporary capitalism. Emily Barman has captured this phenomenon through the notion of "caring capitalism"(Barman, 2016). Analyzing the discourses and practices of these present-day capitalists, Barman shows how they portray themselves as caring about the world's social and environmental problems and develop market solutions to address them. By studying phenomena such as social enterprises, venture philanthropy, CSR or impact investment, she detects a shift in the discourses of capitalist elites, away from the Friedmanian mantra of the 1970s (the social responsibility of business is to increase its profits) to a justification of business in explicitly moral terms. Barman is in particular interested in understanding how impact investment *markets* are built, and points at the importance of developing a recognized valuation infrastructure (such as a reporting standard and rating system) to decrease the level of impact uncertainty. She notes that this uncertainty was perceived by early impact investors as a challenge which acted as "a barrier to the growth of impact investing" (Barman, 2015, p. 26).

While in 2016, Daggers and Nicholls (2016) noted that the majority of publications on impact investment were practitioner- and policy-oriented, the field has produced more theoretical and data-based empirical studies since then (Agrawal

& Hockerts, 2021). These often country-specific studies have predominantly been focused on market creation, acceptance, and intermediaries. The social construction of this market (Barman, 2015; Hellman, 2020) and how financial and social/environmental values are brought together in investment practices (Barman, 2015; Chiapello, 2015; Chiapello & Knoll, 2020; Daggers & Nicholls, 2016) are today significant avenues of research taken by scholars. They have observed a convergence towards standardized quantitative measurement (Hehenberger et al., 2019), critically assessing it for leading to the financialization of social programs or environmental policy (Chiapello & Knoll, 2020; Ducastel & Anseeuw, 2020; Golka, 2019).

At the individual level of investors' motivations, a study by Roundy et al. (2017) shows the full range of impact investors' motivations to pursue both economic and social/environmental goals, in particular the role played by personal values and emotions (see also Hellman, 2020), the ability to redeploy their capital to generate other social/environmental impacts, and their belief in market solutions (Roundy et al., 2017). Our paper looks at the "reconciliation of money and mission" from yet a different angle: the discursive repertoires impact investment professionals draw upon to justify the morality of their practices. It thus deepens the analysis of the morality of impact investment focusing on the reasons impact investment professionals give for the morality of their practice.

For a sociologist, people's moral ideas or beliefs are always influenced by social and historical factors and often depend on what they know to be true (Roth, 2010). We build on Gabriel Abend's conceptual framework (2014) to study impact investors' "moral background", composed of second-order elements that "facilitate, support, or enable" (Abend, 2014, p. 17) first-order moral practices, opinions, or beliefs. Ethical behaviors and practices are necessarily built upon the foundation of a culturally constructed second-order moral background that informs and enables them. Abend's moral background is composed of six dimensions but in this paper, we focus on one dimension only of the moral background: the kind of "grounding" in theories of normative ethics that support moral opinions and practices. "Grounding" refers to the reasons (shaped by cultural social, cultural, institutional factors) given for why an action, view, judgement, etc. is moral or not – why it is right or wrong, legitimate or illegitimate. These reasons, like other elements of the moral background, can escape people's awareness. They can be further analyzed by looking for instance into whether they build on the practices of certain professional cultures or are anchored in specific ideologies. In addition, a particular way of analyzing grounds for morality is to see whether they privilege specific normative theories – not explicitly but at least implicitly. In particular, it is of interest to see whether first-order morality is grounded in deontological (i.e. based on duties or principles) or consequentialist reasoning.

3 Case and Methods

We study impact investment in Geneva, a major global hub of traditional and "sustainable" finance as well as international development. Actors in this impact investing community find themselves in a growing, but still limited niche of the country's large financial community, even if the Swiss authorities officially support the sustainable investing approach (a much broader category than impact investing) through various federal offices and agencies, such as the Federal Office for the Environment (FOEN) or the Agency for Development and Cooperation (SDC). Impact investing accounts for a minority of sustainable investment in Switzerland – just 4% (CHF 50 billion) of sustainable assets under management (Swiss Sustainable Finance, 2020) – despite the fact that it grew by more than 200% in 2019 (Swiss Sustainable Finance, 2020). Sustainable investment is itself, with just CHF 1 100 billion in 2019 a small portion of the total assets under management in Switzerland, which is estimated at CHF 7 900 billion (Swissbanking, 2020). An important part of impact investments in this ecosystem consists of microfinance investments in developing countries' financial institutions that fund poor individuals or small enterprises. However, the field today is diversified in terms of areas of investments (including agriculture, renewable energy, and financial inclusion in emerging and frontier markets) and asset classes (private debt and equity but also listed equity for one firm). Public-private partnership based on a pay-for-performance contract for funding public programs ("social impact bonds") are marginal among these asset management organizations' investments.

As part of a broader research project on impact investing in Geneva, we conducted a total of 46 semi-structured interviews with individuals working in impact finance and proximate activities related to sustainable finance. These actors were identified through qualitative case study methods, starting with a few key informants who would then lead us to other people active in the field (snowballing). For the purpose of this paper, we retained only interviews with analysts and managers working for the firms explicitly specialized in impact investing (a total of 18 interviews). Saturation was deemed to be reached after these 18 interviews. Typically, the respondents (between 30 and 60 years old) had a background in economics or finance and a professional experience in both traditional and sustainable finance. The majority of these interviews were conducted online, via Cisco Webex™, a videoconferencing application. We offered participants the option to use pseudonyms to ensure their anonymity and the anonymity of their organizations. In interviews, we asked them about their trajectories, how and why they came to work in impact investment, their practice of impact investment and their views of both traditional and sustainable finance. As participants were not professional ethicists, the moral reasons they put forward were for the most part revealed to the researchers by their spoken remarks when questioned about traditional finance (e.g. what traditional investment practices are problematic in your opinion and why?) or other forms of "sustainable" finance (e.g. what are the differences between impact investing and ESG investing?), rather than by asking them to answer directly to difficult questions such as: why is impact investing moral? When asked whether impact investing is more ethical than other investment practices, interviewees answered "yes", but they did not often explicitly use the vocabulary of morality to assert this. The interview data is complemented with recent impact investment reports collected online from websites belonging to asset management firms. The sample of impact investing reports of impact investment firms was drawn not with a focus on quantity of documents but rather their quality. Reports (in particular, "impact reports") were chosen insofar as they offered rich empirical data relevant to the moral grounding of the impact investing activities. The reports were publicly available on the Internet and did not require their authors' permission to access them.

The data was analyzed with the help of Atlas.ti™ software in a multistage procedure. In a first step, a deductive or "directed" approach (Hsieh & Shannon, 2005) to coding was utilized to code (by one researcher) relevant texts or images into a classification system informed by Abend's conceptual framework and its six dimensions. We then organized team meetings to clarify and test the adequacy of this coding. Although this framework predetermined our codes, this was counterweighted in the second step of analysis, in which a more "abductive" research approach (Tavory & Timmermans, 2014) was used. In abductive research, a pragmatic back-and-forth between theory and empirical data deliberately focuses on both categories predetermined by theory and themes that emerge from the data (in our case, the themes of uncertainty or of financial worldview). Therefore, data that could not be coded in the first step were later analyzed to see if they represented some new categories for the framework or a subcategory of one of our dimensions. Team meeting discussions and regular consideration of alternative categories were intended to increase the reliability of the analyses.

4 The Moral Grounding of Impact Investing

Why, according to impact investment asset managers, is impact investing moral – more moral than traditional investments, other forms of sustainable investments, or philanthropy? To answer this question, we initially identify, characterize, and categorize the reasons given by respondents for the morality of impact investment, before proceeding to analyze the types of normative theories these moral reasons are based upon. Our analysis reveals four categories wherein impact investing is implicitly seen as moral by impact investment asset managers.

4.1 Reasons

A Primary Intention to Have an Impact

The first set of reasons given by respondents for the morality of impact investment focus on their intent. While any economic activity has social and environmental impacts or externalities, respondents highlight the importance of intentionally aiming at solving social and environmental problems. The intention of investors is paramount in judging ethically their decisions. This grounding can be summarized as follows: impact investing is moral *because through our investments, we explicitly seek to generate a positive social or environmental impact in the world, such as reducing inequalities or fighting climate change.* According to our interviewees, impact investing is not just about avoiding investments into activities that have "damaging" social or environmental impacts. It seeks to actively generate "good":

> *[…] impact investing is saying not only "do I discard what's bad?" and not only "do I pay attention to how these companies are run when I invest?", but "I'm intentional in my desire to create impact. And so I'm going for clean energy access, health for all" etc […]* (Managing partner*[1])

Emphasizing "intent" to produce positive impact enables impact investors to distinguish their approach from other forms of sustainable investment.

> *In contrast to socially responsible investments (SRIs) and their subcategory – environmental, social and governance (ESG) investing – which focus on exclusion to ensure that potential investments do not cause environmental, social or governance harm, impact investing goes much further and aims to actively make a measurable positive impact, either socially or environmentally.* (Asset manager report)

Impact investors criticize ESG and SRI investors for not prioritizing social and environmental objectives in their choice of investments, for not having a primary intention of having an impact. The impact investment asset managers we studied claim they do more than align investments with values by excluding certain "sinful" industries like the tobacco or the weapon industry – that would be just adopting a "do not harm" SRI approach. They also want to go beyond an ESG "filter approach" where the sustainability of a firm (and not the company's products or services themselves) is assessed based on ESG factors such as carbon emissions, gender equality, management practices etc. (Leins, 2020). Impact investing, they say, has a more holistic and proactive approach: it has the intention of generating a measurable positive environmental and/or social impact alongside financial return.

1 Citations that were translated from French to English are marked with an asterisk.

Unlike ESG investing, the primary objective of the investment appears to be this environmental and/or social impact. As one asset manager puts it:

> *For us, the intention of having an impact must be present when you are in impact investing. This is what differentiates us from other branches of sustainable finance.**

Solving Global Problems

The 2015 Paris Agreement on climate change and the United Nations 2030 Agenda for Sustainable Development have both called for private capital to finance these global social, economic and ecological challenges. For our respondents, solving world hunger or climate change is above all a question of (lack of) financing and impact investing has an essential role to play in financing the SDGs, alongside governments and philanthropy. They maintain that financial markets have the capacity to evolve into a vehicle of prosperity for people and the planet. This shift will, in their conception, make financial markets indispensable instruments for solving global social and environmental problems, placing financial agencies alongside government, philanthropists, and NGOs as key agents of change. As one asset manager's website puts it: "we use capital as an agent of change to encourage the transition to a sustainable and fair economy". If only impact investments were to become mainstream, they seem to say, Agenda 2030's SDGs will be achieved almost as a mechanical outcome. Most participants share this "expansionist" pragmatic view on impact investing. In order to achieve the SDGs, the impact investing approach has to reach a broader range of investors:

> *It's not by investing in start-ups that we're going to change all that. It's really when the big funds and the big money come into this sector that it can work. The microfinance world should represent a tiny part of everything that impact investing will do in 5 or 10 years. It is only with Blackrock, Credit Suisse or UBS, to talk about banks closer to home, that it can work.* (Asset manager*)

The interviewees value the ability to provide financial solutions for achieving the SDGs or Paris goals. They do not see intransigent political challenges or intractable systemic and structural problems at the heart of social and environmental issues, but entrepreneurial solutions that are in need of financing in order to resolve them. Therefore, a secondary rationale for our question emerges from the fact that *impact investing brings efficient financial solutions for global social and environmental issues.* This "financial solutionism" is part of a broader belief in the capacity of markets and entrepreneurship to solve the world's most pressing issues. One managing partner puts it this way: "We intrinsically believe that the economy, business, entrepreneurship, investment must build this world. They must proactively engage with the problems head on". He then went on to specifically point out the role of impact finance in this:

> *I'm not sure that the very large companies can understand all the dimensions of this problem. We need to reinvent. We need to bring a certain dynamism. And what [name of asset manager] does, is that we will look now for solutions that are complementary to help to grow them.* (Managing partner*)

This impact investment professional sees finance in a particularly important position when he says that large companies won't be up to the task, he points at the role of impact finance: it is finance that can bring in the "dynamism" and "reinvention" that is needed. Impact finance will identify the solutions of the future. The argument here draws on the capacity of finance to efficiently allocate funds; it is this capacity that is required and that justifies why impact investment is moral.

Measuring Impact

A third aspect of the moral discourse of respondents focuses on the value added by the impact measurement tools used by them and their peers. They insist that impact investors analyze the social, environmental, and governance characteristics of projects more broadly than SRI or ESG investors. We have shown that beyond the financial aspects of prospective ventures, impact investors claim to focus their analyses also on investees' intentions: companies' activities must "create positive and measurable impact in the real world" (Asset manager report). Impact investors will then seek to develop metrics that attest for the actual social and environmental impacts their investments have. The centrality of metrics is similar to ESG investment approaches and draws on the worldview shared by finance professionals that rational decision-making is enabled by measures. But impact investors say they go beyond what other sustainable finance professionals do, since they seek to measure concretely the social and environmental *impacts* created by their investments:

> *Impact finance, unlike sustainable finance, offers real and concrete measures of the social and environmental impact generated. This difference is fundamental because a clear framework, good transparency, and strict discipline not only generate concrete results in terms of impact but also guides and reassures investors.* (Managing partner*)

A strong methodology for managing and measuring impact, whether quantitatively or qualitatively, is key to understand the proactive approach which impact investors are trying to valorize. This method may entail setting goals considering the effects an investment has on people/planet, defining strategies to achieve these goals, and measuring and communicate this impact data. Impact investors continue to work on the development of quantifiable indicators to measure the social and environmental value of their investments, since this measurement is central to the activity of the industry. As such, the third moral reason for respondents' opinions and activities emerges from the fact that impact investors *manage and measure the social and environmental impact of their investments.*

Transcending Alleged Oppositions

The financial sector is perceived by respondents as having an important potential for influence but at the same time as having systemic problems. Many respondents noted that some aspects of financial markets are dysfunctional, notably in terms of their focus on the short term. These "perversions" reflect issues endemic to the sector. For one interviewee,

> *capital markets have huge structural problems in terms of the game being rigged against small investors and the rise of ultra-high-speed, algorithmic derived trading platforms that distort reality and make what we used to know as the process and approach to market analysis kind of obsolete.* (Chief risk officer)

Another one noted that in financial services, the interests of the clients often come second:

> *But finance is a world of sharks. Finance is a world, still today, rich in conflicts of interest of all kinds (…) If only there were just the interests of the clients! There's politics. There's short-term profitability. It's still a very murky world even 10 years after the financial crisis.* (Asset manager*)

Such critical views were shared by most respondents. They concur that certain things have to change, and see impact investment as the kind of change that is needed. It is portrayed by the participants as the best way "to change the way our current financial model works without breaking everything, without making a revolution" (Managing partner*). Thus, impact investors do not want to overhaul financial markets, they propose an innovation at their margins which should serve as a model for renewal.

This innovation, they say, transcends existing oppositions. Indeed, they posit that in order to solve global problems and complement the efforts of the public sector and philanthropy, there is a need for new ways of thinking about partnerships. In interviews, impact investors described a model of collaboration between not-for-profit and business firms, as well as public and private actors, that disrupts the history of troubled relationships between these actors through constructive, cooperative collaboration that reflects on and acts towards a changed world:

> *… basically, it's the big fight between the traditional NGO that says, "finance is all rotten. Frankly, there is nothing to do with that, it will pervert our work, money is the devil. And we're going straight into the wall with this impact investing." And then you have the financiers who say, "well they are nice, the impact investors, but they are tree huggers, beautiful dreamers." And I am convinced that we are neither one nor the other. I am convinced that we are, yes, as you say, at the crossroads and we are inventing a third way, if you like. It is a movement.* (Managing partner*)

Impact investment presents itself as a hybrid "third way" approach to collaboration which aims to support its public sector and NGO partner objectives while instilling financial sector rigor and return. As such, it is valued insofar as it has the capacity to improve both traditional NGOs and philanthropy "which often lack financial sustainability" (Managing partner*) as well as other forms of "sustainable" investments such as SRI and ESG investing, "which suffer from a lack of measurability in terms of impact" (Managing partner*). According to impact investors, this traditional "either-or" world has established a false dichotomy between economic returns and social/environmental benefits. It must be replaced with the narratives and practices of "both-and". Based in Geneva, participants' discourse transcends alleged opposition by trying to "build bridges" between the right bank of the city (home of many United Nations organizations) and its left bank (where many financial institutions have their headquarters). The fourth moral category mentioned by interviewees can therefore be summarized as follows: *because we need innovative hybrid thinking transcending the traditional silos between not-for-profit and business firms, between social/environmental impact and financial return.*

4.2 Consequentialist and Deontological Reasoning

When analyzing the moral grounding of the impact investment movement, one notices that its morality is mostly based on consequentialist reasoning. From a consequentialist point of view, what counts morally is to ensure that there is, in total, as much good or as little evil as possible in the world. These finance professionals are very much focused on using the foreseeable or predictable economic, social, and environmental consequences of their investments to justify the rightness of their practices. Impact investing is implicitly presented as "moral" for consequentialist reasons when the participants argue that they have a positive social/environmental impact in the world, or when they claim to bring financial solutions to global problems. Asked about the factors that will drive a behavioral shift by financial actors in favor of sustainability, a chief risk officer working for an asset manager adopted this consequentialist ethics in his answer:

> *I think companies will come to pressure not necessarily because their heart turns out to be in the right place but because they have to. Because it will be economically disadvantageous for them not to do better on social issues, not to do better in terms evaluating the interest of their employees and the communities where they operate. It will hurt them financially and they will be motivated by financial pain.* (Chief risk officer)

While consequentialist moral arguments were most common, deontologist arguments could also be found in our sample. Indeed, apart from general prescriptive phrases such as "I'm intentional in my desire to create impact" or "the intention of having an impact must be present", our sample reveals clearly deontological stances insisting on the importance of sticking to this "intent", to an "investment [or impact] thesis", while choosing an investee, and to differentiate this intentional aspect from the sole "actions":

> *We must assess intentions and actions. […] We can compare the financial returns, but this is not intent. Our intent is to invest in the companies that are going to be financially successful because our investment thesis is that financial return has to come with social impact.* (Asset manager*)

In their insistence that investors and companies must have the *intention* to create a positive social and environmental impact or that their business model must address an important problem and propose solutions for it, interviewees approach (Kantian) deontological thought. The intentionality of the act – so important in criminal law – is an important philosophical argument for deontologist reasoning (and not completely absent in some strands of consequentialism). For Kant, the right decisions must be taken for the right reasons: "good intentions are not only more important than consequences, it is the intention that carries moral significance" (Gustafson, 2018, p. 81). Deontological theories claim that certain actions are intrinsically right or wrong in themselves, regardless of the consequences that may follow from those actions. Here, this intention to have an impact seems to be seen by those interviewed as a duty, a moral obligation. They have adopted the Global Impact Investing Network (GIIN) wide-ranging view of impact investing which emphasizes intentionality as being "at the heart of what differentiates impact investing from other investment approaches which may incorporate impact considerations" (GIIN, 2019). For scholars also, intentionality is one of the key dimensions to better grasp the concept of impact investing and understand how in practice impact investors reconcile their financial and social/environmental impact intentions (Barman, 2016; Hockerts et al., 2022; Jackson, 2013). Impact investors' injunction to systematically consider ex ante the social and environmental impacts of investments can also be seen as a deontological principle or rule. This duty is in contrast to the attitude of an investor that would only care about her profits in assessing a prospective investment; in the view of many of the respondents, such an intention is considered "wrong in itself". This idea that certain things are bad or good in themselves is at the heart of deontological reasoning. Participants gave other examples of principles that must be followed: work to develop innovative thinking, systematically measure the impact of your investments, be coherent in your investment by focusing on investees' practices and impact. The list is not exhaustive, but rather is indicative of the importance of deontological reasoning amongst the participants, in addition to consequentialist thought.

5 Discussion

Impact managers and analysts do not generate moral grounding in a void. Their grounding is itself grounded, by drawing on a "common cultural store of accounts" (Abend, 2014, p. 36). In other words, what counts for them as relevant moral reasons are historically and socially constructed and only "flourish in those social circumstances that are well suited to them" (Robbins, 2010, p. 124). In this section, we propose to first discuss this "meta-grounding" of impact investment, before turning to examining the attractiveness of deontological arguments in a context of impact uncertainty.

5.1 Meta-Grounding of Impact Investing

Let us start with the fourth reason we identified in our analysis of impact investment's moral grounding: impact investing is moral because it transcends allegedly opposing logics. It is said to promote innovative thinking to bridge the traditional split between financial return and social and environmental impact, and between not-for-profit and business firms. Impact investment professionals deliberately situate their practice in between these oppositions. They criticize finance – and even some forms of sustainable finance (ESG) – for being only focused on profit. And they criticize the not-for profit world (philanthropy, charity, but also public policies) for not being connected to the financial and business world and its emphasis on efficiency and outcome metrics. By developing a practice that would reportedly transcend this dichotomy, impact investors take up and respond to these critiques. This grounding is reminiscent of the process identified by Boltanski and Chiapello (2007) through which capitalism draws on external critique to develop new justifications and new dynamics of capitalist development. In the case at hand, impact investors respond to two very different critiques at the same time: the first one, a "progressive" critique of finance, is addressed to the finance world; the second one is a neoliberal critique of public policy and charity, emanating from the financial sphere itself. By making both of these critiques their own, impact investors combine them to propose a middle way and create a practice that transcends them and thus reforms finance.

The "both-and", "transcending", or "win-win" (Giridharadas, 2018) discourse that results from this is neither unique to impact investing nor new. In fact, it's a common theme in many moralized markets (Balsiger, 2021), for instance in the mainstreaming of organic and fair trade products (Koos, 2021). Emily Barman (2016) has studied this reasoning in the non-profit sector, in enterprises embracing market solutions to tackle social problems (social enterprises) or in policies through which companies address the social and/or environmental implications of their production processes for stakeholders (corporate social responsibility). She analyzes it as a phenomenon characteristic of capitalism in the late 1990s and early 2000s. But while the forms she describes are indeed specific to the current area, the "progressive" idea that the capitalist system is not morally wrong in itself but can be improved internally towards a more ethical version has a long history. Abend's (2014) study of business ethics in the late 19th century identifies the Christian merchant as one moral background of business, in which business is conducted by following ethical principles. Still for the US, Christiansen's study of "progressive business" (Christiansen, 2015) shows the continuity of a strand of entrepreneurs advocating for an integration of social and economic goals within a "reformed capitalism" throughout the 19th and 20th centuries. Today's caring capitalists are but a contemporary incarnation of this. For the impact investing professionals we interviewed, the current financial model has to change and impact investing is a way to improve it "without making a revolution" (Managing partner*). Impact investing can therefore be seen as part of the market reformist ideology which believes "in the self-reforming potentials of business/capitalism, fusing together economic concerns with a social ethic" (Christiansen, 2015, p. 4).

Impact investment thus draws its moral legitimacy from this transcending discourse. Yet the striking result of our analysis is that besides this reason, all the other reasons given firmly anchor impact investment's morality in classic representations of business and finance. They do not at all refer to reconciliation or transcendence but are based on the belief that it is through entrepreneurial activity that the most pressing world problems can be addressed efficiently. This is consistent with Roundy et al. (2017) who found that American impact investors are often driven by a belief in market-based solutions. Impact investors adhere to a benevolent view of market society (Hirschman, 1992), joining that of powerful new philanthropic organizations, such as the Gates Foundation or the Chan Zuckerberg Initiative, applying business-style strategies and market-based solutions to areas formerly organized by the non-profit sector or the state (McGoey, 2021).

Beyond this belief in markets, we find that this rationale is embedded in a second reason related to the role and power of finance in this process. As financial players, the interviewees have the capacity to efficiently finance solutions for global issues. The discourse is anchored in the representation of finance as having a crucial and positive role for capitalist dynamics through efficiently allocating capital (Beck, 2011). By bringing together the efficiency of capital allocation with a belief in market solutions for social and environmental problems, the moral stance of impact investors is rooted in what could be called a *financial solutionism*. The term solutionism was proposed by Morozov (2014) in the context of the tech industry, which finds justification in a rhetoric of solutions to specific problems. Here we find the idea of solutions, too, albeit in a different environment: markets will provide "solutions" to the most pressing world problems, and financial professionals and financial markets are capable of identifying such efficient entrepreneurial solutions to world problems and efficiently channel money towards it.

Measurement (the third category) further legitimizes this financial solutionism: it is grounded in a belief in the possibility to assess and measure impact, and in integrating this into the investment process. This anchors impact investing in a core professional practice of finance. The history of finance is a history of calculation (de Goede, 2004): it is the precise measuring and calculation of risk and return that supports the claim of the financial system as the most efficient way of allocating capital. Financial analysis must anticipate the behavior of the share price, the expectations of other investors, the future economic situation and events which may affect it. The grounding of the morality of impact investment merely translates this issue of measurement to the realm of social and environmental impact. It draws on the legitimacy of practices based on standardized metrics which have also transformed other sectors such as philanthropy or development aid as part of a generalized trend towards evidence-based decision making and quantification (Mennicken & Espeland, 2019). As in the "effective altruism" movement (MacAskill, 2017), it is about gathering and showing evidence to improve the world as efficiently as possible based on this collected information. In the field of impact investing, this logic of impact evaluation values the professional competences of investors as useful methods in terms of evaluating social or environmental transformation.

5.2 Uncertainty and Deontology

Businesspeople are often perceived to be consequence-driven: "[t]o engage in commerce is to act with a vision of an end to be achieved—for example, to create valuable goods and services, to make a profit, or to attain the firm's goals for the quarter" (Gustafson, 2018, p. 79). Indeed, the classical economic theory for the optimality of markets rests on their capacity to maximize the satisfaction of consumer preferences through exchanges, and therefore the implicit morality of the markets is consequentialist (Cohen & Peterson, 2020). The strong presence of consequentialist arguments in the justifications of impact investors was expected given their belief in markets and their efficiency. But what about their use of deontological arguments?

In the case of impact investing, those often take the form of maxims that are closely related to the "official" definition of impact investing as "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return" (GIIN, 2019). Impact investors put forward the importance of having the intention to make an impact, of considering the social or environmental impact and measuring it, as rules that need to be respected. This deontological style of moral reasoning is attractive as impact investors find themselves in situations where impact is difficult to predict. Despite the efforts developed by the impact investing industry to standardize the measurement of social and environmental impacts of an investment, it continues to be extremely difficult to reduce the degree of uncertainty involved in impact (Jackson, 2013, p. 99).

The actual social and environmental effects of an impact investment may be different in nature and scale than the impact that the investor envisaged. Take the example of an investment in a microfinance institution allocating loans to poor families in a developing country. If the social outcome of this investment is measured by the increase of income for these families resulting from this investment, does this measured increase necessarily imply an improvement of the quality of life of these families? Investments and good intentions could bring adverse effects such as psychological and social pressure on these families to reimburse their loans, potential loss of property in case of non-repayment, altered social relationships through the process of financialization, and conflicts of interests (Guérin et al., 2015; Islam 2023). Asset managers place other people's money in various countries and sectors, each of which has their specificities. Even if the measurement tool is standardized by sector (health care, housing, agriculture, energy and so on) or by impact objective (reducing greenhouse gas emissions, increasing financial inclusion, improving the health of disadvantaged populations, etc.) the idiosyncratic nature of situational context – for instance the patterns of corruption or agro-ecological trends – can and does modify the impact of social and environmental investments (Rodin & Brandenburg, 2014, p. 58). The social and environmental impact of an investment remains a contested matter.

In spite of the apparent clarity of much of their repeated messaging, impact asset managers cannot entirely control the social/environmental consequences of their investments. The likelihood that impact will be different than expected – through failure to attain expected benefits or by delivering negative unintended consequences – seems to be particularly difficult to measure and assess. Unlike financial risks such as credit and liquidity risk, the measurement of the chances of not attaining the targeted impact is not yet standardized. These impact risks are also relatively new to the financial profession. As Islam (2023, p. 31) points out, impact investors can borrow financial risk management knowledge to assess financial risks in impact investing. However, to measure impact risks, they cannot simply apply the knowledge of financial risk management. In such uncertain, ambiguous or unknown situations, a deontological framework may provide our participants an attractive addition to their consequentialist reasoning. This deontological reasoning offers them a sense of "security" and "control", as argued by Robbins (2010), a framework that does not need to refer to an uncertain future. If predicting in a satisfying manner the ultimate long-term outcomes of their investments is impossible, impact investors can at least control whether or not their investments conform to a set of maxims. According to Robbins, the felt instability of the world precludes the ability of collective beliefs to predict the consequences of one's actions. When the world is perceived as chaotic and unpredictable, does deontological normativity prevail or gain ground? Beyond our particular empirical setting and topic, we encourage further social science research on this fascinating subject.

6 Conclusion

This paper has attempted to contribute to the empirical study of impact investing through an analysis of the moral grounding of impact asset managers, as well as an exploration of the theories of normative ethics that underlie their moral justifications. Looking behind moral opinions and behaviors is important since moral justifications and rationales "enable" finance professionals to act as impact asset managers and pass judgement on the practice of traditional, sustainable, and impact investing. These justifications facilitate a change in the values dominating financial markets, away from short-termism and profit maximizing towards a comprehensive approach that takes sight of social and environmental goals. The moral grounding of impact investing in intention, problem-solving, measuring, and the transcending of oppositions facilitates (along with other factors) a change in the moral values of the financial industry, which is now described by promoters of impact investing as an important actor providing financial solutions to the pressing environmental and social problems of our time. Through this positive portrayal, ways of financing and thinking about social security and international development are modified. More broadly, like other justifications of capitalism, "pointing towards criteria of justice, and making it possible to respond to critiques" (Boltanski & Chiapello, 2007, p. 486), these impact justifications help the spirit of capitalism to evolve in order to mobilize people around the idea that impact investing "empowers markets to spread opportunity, reduce inequality and help preserve the planet." (Cohen, 2020, p. 200)

The evidence presented here shows how the morality of impact investment is grounded in dominant economic and financial discourses, including concerning the beneficial nature of markets, finance's role in efficiently allocating capital, and the prevalence of measurement. Although at first glance this point seems both obvious and trivial, it becomes relevant when we consider that these discourses risk undermining one of the central justifications of impact investment which is to transcend traditional divisions between the social and economic spheres. Interviewees present impact investment both in terms of progressive business *and* by referring to the power of the free market. While this may be consistent with the in-between position they claim to occupy, it seems to us that the latter undermines the former: to advocate for a reformed form of finance, while drawing from arguments that anchor the morality of this reformed practice in a belief in the power and capacity of free markets, seems contradictory and speaks in favor of scholars (Chiapello & Knoll, 2020) analyzing impact investing as another extension of markets. Indeed, despite criticism of "market solutions", the use of markets to advance moral projects has not ceased and contrary to what Ronald Cohen, head of the *Global Social Impact Investment Steering Group,* said, the "dictatorship of profit" (ImpactAlpha, 2019) has not been overthrown.

Our sociological approach speaks to emerging dialogues between sociology and business ethics. In a recent programmatic paper, Shadnam, Bykov, and Prasad (2020) notice the striking absence of business ethics perspective in sociological works focused on morality. At the same time, they observe that business ethics does not really benefit from the framework of the new sociology of morality, which sees morality as an object of study as a whole (Hitlin & Vaisey, 2013). A sociological reading of morality highlights the importance of taking into account the social (and historical) conditions that favor the emergence, maintenance, and legitimacy of ethical reflection which is neither innate nor universal. To place the ethical reflection as well as the philosophical abstract subject in a social and historical space consists in particular in considering the field in which this reflection takes place and the social circumstances that favor it or not.

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