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DOING GOOD WHILE DOING WELL

A qualitative study on how business angels respond to competing logics in impact investing

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Abstract:

Impact investing has emerged as a new mechanism by which early-stage start-ups pursuing social or environmental goals are funded. Business angels are critical actors in supporting early-stage start-ups and therefore could play an important part in accelerating this field. However, they have received only little attention in impact investment research. Impact investing represents the cross-over of traditional investing and philanthropy and as these domains originally emerge from diverse sets of institutional logics, impact investors face competing demands and prescriptions which leads to challenges for the actors to navigate their actions. The study explores the responses to this institutional complexity in impact investing along the business angel investment process using a qualitative, multi-case-study approach based on semi-structured interviews. This study shows that during the evaluation, business angels either selectively couple, blend or decouple the institutional logics and during the deal origination and post-investment involvement either only comply with one or blend the two logics. The type of goal held by the impact investor is mirrored in their response during the evaluation. These findings allow for a view past the investment goals and also shed light on how such goals are achieved during the decision-making process.

Keywords: Impact investing, Business angels, Institutional logics, Institutional complexity

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Glossary

Business angel	"A high net worth individual, acting alone or in a formal or informal syndicate who invests his or her own money directly in an unquoted business in which there is no family connection and who, after making the investment, generally takes an active involvement in the business, for example, as an advisor or member of the board of directors" (Mason & Harrison, 2008, p. 309)
Impact investing	Type of investment striving to achieve the dual aim of financial and non-financial return on investment (ROI). An impact investor seeks some degree of both financial ROI and social or environmental ROI. (Höchstädter & Scheck, 2015; Roundy et al., 2017).
Institutional logics	"The socially constructed, historical patterns of cultural symbols and material practices, assumptions, values, and beliefs by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their daily activity. […] [Each logic thus provides] a set of assumptions and values, usually implicit, about how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed." (Thornton & Ocasio, 1999)
Institutional complexity	The antagonism caused by incompatible and conflicting institutional logics. Arises when societies, organisations or individuals hold more than one logic for which the goals or the activities are competing. (McPherson & Sauder, 2013; Reay & Hinings, 2009)

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1. Introduction

With the increasing awareness for sustainable development, social entrepreneurship, which aims to solve social and environmental problems through market-based mechanisms, has been one reaction to the issues that the world is facing. Providers of capital are significant stakeholders in the development of the social enterprise ecosystem (Castellas et al., 2018), but as of today, social entrepreneurs continue to struggle to attract investments. Conventional capital allocation follows either financial return optimisation in the form of traditional investing, or social welfare benefits in the form of philanthropy, and does not align with the dual aim of social entrepreneurship (Lee et al., 2020).

Impact investing, which is located in the intersection of traditional investing and philanthropy, represents the investment side of social entrepreneurship and has emerged as a new mechanism by which early-stage social ventures are funded (Lortie & Cox, 2018). Impact investors may be more aligned with social entrepreneurs and might help social entrepreneurs to attract greater investments while also providing incentives for mainstream investors to pursue social or environmental goals (Lee et al., 2020; Roundy et al., 2017).

Interest into the emerging impact investing field has increased significantly among investors (Kubátová & Kročil, 2020). There are indications, that impact investors do not necessarily have to sacrifice financial returns and can achieve market-level or above market-level returns while also delivering social or environmental return (Höchstädter & Scheck, 2015). However, as traditional investors enter this new field, they may face tensions and potential trade-offs when incorporating more than only financial return into their investment decisions (Roundy et al., 2017).

Impact investing represents the cross-over of business and charity and as these domains originally emerge from diverse sets of institutional logics, impact investors can be confronted with unfamiliar combinations and notions of value (Lee et al., 2020). Actors aiming to integrate these conflicting logics, will have to act according to the values and practices of both logics (Pache & Santos, 2010). Studies on how actors respond when faced with this institutional complexity have primarily focused on the organisational level of analysis (Pache & Santos, 2013a). Only recently there has been a body of research that focuses specifically on how individuals respond to institutional complexity, but much research remains to be done (Jaumier et al., 2017).

Business angels are critical actors in supporting early-stage start-ups (Harrison et al., 2015), and have previously received only little attention in the impact investment research. However, there are indications that business angels might play an important role in fuelling the impact investment field (Botsari & Lang, 2020). Business angels are highly individual in their decision-making process (Mason & Harrison, 2008; White & Dumay, 2020) and likely respond in different ways to the competing logics in impact investment (Roundy et al., 2017). Thereby, business angels represent an interesting group to study how individuals respond to institutional complexity in impact investing.

This thesis therefore explores the individual level responses of business angels to the institutional complexity in impact investing by shedding light on how the different institutional logics are considered along the impact investing process using a qualitative, multi-case study approach.

1.1. Purpose and Research Question

As the field of social entrepreneurship matures, research on innovative ways of providing social entrepreneurs with capital such as impact investing, should also advance (Clarkin & Cangioni, 2016), as it can in turn directly inform social entrepreneurship (Lortie & Cox, 2018). To advance the research field of impact investing, it is important to gain a deeper understanding of how the investors engage in impact investing. The process of impact investing has not been explored properly and conceptual frameworks like institutional logics may aid in understanding the impact investing process (Agrawal & Hockerts, 2019b).

Impact investing is an emerging and rapidly changing field with more investors considering joining the stage (Agrawal & Hockerts, 2019b). While there are indications that many business angels already engage or plan to engage in the practice of impact investing (Botsari & Lang, 2020) prior research has not yet explored how they engage in impact investing. In general, there is very limited research on impact investing at the individual level, which further supports the choice for business angels as a unit for analysis (Agrawal & Hockerts, 2019b). Business angels are highly individual and diverse in their decision-making process (Mason & Harrison, 2008; White & Dumay, 2020) and thus might offer new insights into the multiplicity of responses to institutional complexity.

This study therefore aims to explore the responses employed by business angels to manage competing demands within impact investing and aim to add to our understanding of institutional complexity in the impact investing process, while expanding the research field towards this group of investors.

Research Question:

How do business angels respond to competing institutional logics when engaged in impact investing?

1.2. Expected Contribution

By answering to the research question, this thesis seeks to make several contributions to the field. Firstly, the sparse literature on impact investing in general, but more specifically in regard to business angels engaged in impact investing will be updated with an empirical study. As business angels represent an important part of the entrepreneurial finance landscape (Harrison et al., 2015), more needs to be done to understand how they might engage in impact investing. Secondly, this study is also indented to strengthen the understanding of the impact investment process by applying the institutional logics framework as a lens to uncover how the diverse goals are balanced in the investment process. Finally, this study hopes to contribute to the still early stream of literature around individual responses to institutional complexity (Jaumier et al., 2017). By focusing on business angels engaged in impact investing, this thesis intends to contribute to the understanding of the lived experiences of individuals within institutional arrangements.

Next to academic contributions, this thesis also has the potential to make contributions to practitioners. Firstly, business angels and other investors engaged in impact investing may use the findings of this thesis to reflect on their investment process, which can in turn sharpen their approach and selection towards investees. Secondly, understanding investors' mindset also aids start-ups to outline their strategy for how to approach investors (de Lange, 2017).

2. Literature Review and Theoretical Framework

The following chapter will first review the literature on impact investing (2.1) as well as business angel investment (2.2). Next, institutional logics is introduced (2.3) as the theoretical lens and applied to impact investing (2.4). The chapter concludes with the research gap (2.5) and the theoretical framework (2.6) that is used to guide data collection and analysis.

2.1. Impact Investing

Impact investments are steadily growing, however it is still quite a young and evolving research field, driven mostly by practitioners (Agrawal & Hockerts, 2019b). There have been shifts in how scholars have defined impact investing since 2005, and many definitional and terminological ambiguities in regard to impact investing remain. However, the common ground is its dual aim of financial and non-financial return on investment (ROI), defining impact investors as those seeking some degree of both financial ROI and environmental or social ROI, the latter further named as impact ROI (Höchstädter & Scheck, 2015; Roundy et al., 2017).

While most initial studies focused on the promise and possibilities of impact investing and lacked strong empirical analysis or conceptual development, the research questions as well as the methods used to study impact investing have developed since its inception (Agrawal & Hockerts, 2019b). Between 2010 and 2014, studies continued to explore the boundaries of impact investing and its applications in fields like microfinance or crowdfunding. From 2014 onwards, more empirical studies explored market intermediaries, market creation and market acceptance using both single and multiple case studies as well as quantitative studies. Furthermore, more country-specific studies on impact investing could be observed.

Impact investors can operate as individuals, groups of investors or as institutional venture capital funds (Roundy et al., 2017). The interest in combining social and environmental value generation with financial investments has increased as investors have started to realise a potential positive relationship between environmental, social and governance performance (ESG) and corporate financial performance (Friede et al., 2015). While earlier the social and environmental values represented in investments have only been considered as a pleasant value add, investors acknowledge the potential for impact performance to drive financial performance (Brandstetter & Lehner, 2015). It has been found that impact investments have the potential to achieve market-level or above market-level financial ROI while also generating a positive impact on environment or society (Höchstädter & Scheck, 2015). On the other hand, there are challenges with impact investment that arise from the dual demand of pursuing both financial and impact goals (Florin & Schmidt, 2011).

As a field, impact investment is positioned on a continuum between the extremes of philanthropy and mainstream investment (Lehner et al., 2019). Brandstetter and Lehner (2015) describe impact investing as a new and innovative paradigm in the financial world. The investment continuum, described in figure 1, is built upon the willingness to compromise on the financial ROI for an impact ROI. ESG criteria have emerged as a guiding principle for investors to incorporate the social and environmental aspects into their investment decisions, both to reduce potential risks of the investment, or to capture available opportunities (Lehner et al., 2019).

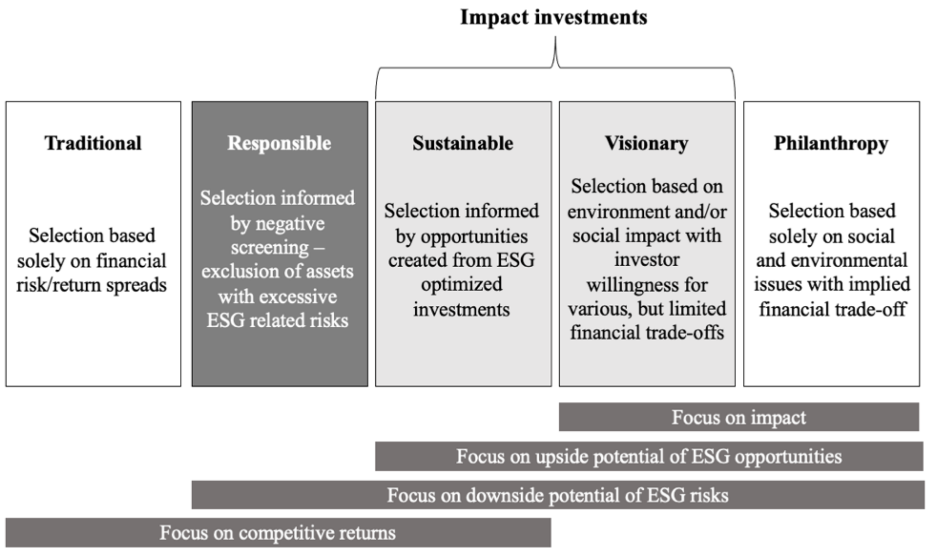

Figure 1 – Explanation of different types of investments according to the investment continuum adapted from Lehner at al., (2019).

On this investment continuum, sustainable investments and visionary investments represent manifestations of impact investing with slightly different investment goals. Sustainable investments describe the aim to generate competitive financial ROI by focusing on capturing the market opportunities of ESG optimised investments. Visionary investments on the other hand assume some trade-offs of the financial ROI in order to achieve a certain impact ROI (Lehner et al., 2019).

Measurement of impact is a recurring theme in the research field of impact investing. Both sides, social entrepreneurs and impact investors, view impact measurement as means for establishing legitimacy prior to engagements and in the early stages of their relationship (Lall, 2019). The space of impact investing can be seen slightly ambiguous and intangible for traditional investors and market actors. It is likely to believe that more investors would be interested in the space if metrics showing the impact are developed (Santos, 2012). Some metrics and measures have been suggested by the literature and claimed to help align the expectations between investor and investee by linking the economic metrics together with the impact factors. However, the measurements are strictly dependent on the availability of data, which is often the lacking factor when assessing early-stage start-ups (Räikkönen et al., 2016).

The market acceptance of impact investors depends on their performance of their investees and the success of impact investing is tied to both financial and impact success, which makes the evaluation of such investees difficult and costly (Nicholls, 2010a). Commercialisation is important for the wider acceptance of impact investing, but commercialisation at the cost of social or environmental outcomes may delegitimise the field. Greater emphasis is needed to define the boundaries of the field to not risk delegitimisation (Agrawal & Hockerts, 2019b). From a theoretical perspective, the institutional logics perspective seems to be helpful in explaining these challenges of combining financial and impact ROI, measurement difficulties and tensions of legitimisation that impact investors are faced with (Glänzel & Scheuerle, 2016).

2.2. Business Angels

While a recent practitioner survey found that many business angels already pursue impact investment opportunities or plan to do so in (Botsari & Lang, 2020), empirical studies on how business angels are engaging in impact investing are just starting to emerge. As business angels represent an important part of the entrepreneurial finance landscape (Harrison et al., 2015), it is important to understand how this investor group engages in the practice. Mason and Harrison's (2008) definition of a business angel is one of the most cited, and explain business angel as:

> *"a high net worth individual, acting alone or in a formal or informal syndicate who invests his or her own money directly in an unquoted business in which there is no family connection and who, after making the investment, generally takes an active involvement in the business, for example, as an advisor or member of the board of directors." (p. 309)*

Given the definition, business angels differ from institutional venture capitalists, who act as intermediaries between financial institutions and unquoted companies, raising finance from the former to invest in the latter (Avdeitchikova et al., 2008). Compared to venture capitalists, business angels invest their own capital, have a significant personal financial responsibility, and typically spend limited time on due diligence (Mason & Harrison, 2008; Van Osnabrugge & Robinson, 2000). Thereby angel investors can be considered a highly individual and heterogeneous type of investor in entrepreneurial financing, as they have full control and freedom when they allocate their own capital (Mason & Harrison, 2008).

2.2.1. Investment Process

The investment process of business angels is similar to the one employed by venture capitalists (White & Dumay, 2020). By synthesising the work of among others Van Osnabrugge & Robinson (2000), Haines et al (2003), Riding et al (2007) and Paul et al (2007), the literature commonly points to five major investment stages included in their investment process; deal origination, evaluation, due diligence & negotiation, post-investment involvement and exit strategy (White & Dumay, 2020), as outlined in figure 2.

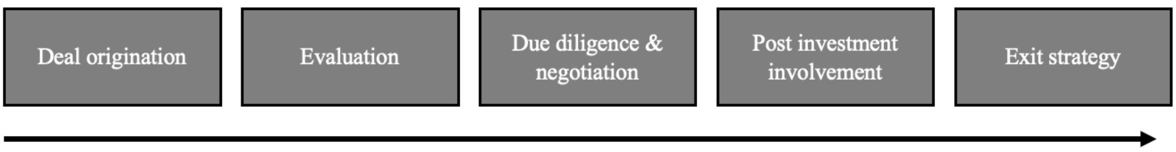

Figure 2 – Summary of the common-cited steps of business angels' decision-making process, adapted from White & Dumay, 2020.

However, there are a diverse set of evaluation criteria and approaches to conduct the separate steps, found among business angels due to the fact that the decision-making process by business angels differs between business angels as they are strongly guided by their own professional experiences (Mason & Harrison, 2008; White & Dumay, 2020).

2.2.2. Investment goals

The investments goals are also greatly diverse within the community of business angels. Several sources indicate that business angels have numerous motives of why they engage in investments and are willing to make investments for more reasons than only financial ROI (Benjamin & Margulis, 2000; Harrison & Mason, 2005; Van Osnabrugge, 2000). Harrison and Masons' study on business angels in the UK shows that business angels' main motive is the personal satisfaction from being involved in an entrepreneurial business, followed by the potential for high capital appreciation as the second most attractive motive (Harrison & Mason, 2005). Other studies have found that supporting young entrepreneurs, development of technology and passing on professional knowledge are other motivations and goals with pursuing investments among business angels (Stedler & Peters, 2003; Tashiro, 1999).Values that have been shaped from life experiences seems to be one factor that can drive business angels in their investment thesis (Hill & Power, 2002).

One study places business angels in the middle of the investment continuum (Roundy et al., 2017) due to the various non-financial goals they might pursue, which puts business angels closer to impact investors in terms of their goals compared to venture capitalists or philanthropists. However, in a comparison to the ideal-type impact investor, business angels have generally been found to not explicitly consider the impact ROI of their investments but rather view the act of investing as inherently value producing by itself (Roundy et al., 2017). It has been further argued that business angels do not formally consider the presence of any social mission held by the investment prospect, nor do angels measure the social value produced. Business angels instead tend to label their investments differently i.e. financial-first and philanthropy-first, meaning that it is done sequentially in different portfolios rather than pursued in a hybrid form (Roundy et al., 2017).

These findings can be challenged when reviewing a pan-European survey conducted by the European Investment Fund (Botsari & Lang, 2020). It stated that out of the 60 business angels answering the survey, 41% engaged in impact investment as an investment approach to fulfil non-financial goals. Furthermore, 6 out of 10 business angels include ESG criteria in their investment decisions (Botsari & Lang, 2020). It has also been found that business angels make mission-driven investment decisions by choosing to invest into sustainability-oriented start-ups (de Lange, 2019). These results indicate an interest among business angels to engage in impact investing, but the overall limited empirical evidence call for more research to be done in this area. Studying how business angels engage in impact investing might offer a great opportunity to understand the various motivations and approaches to impact investing, as business angels are characterised as highly individual and diverse in their decision-making (Mason & Harrison, 2008; White & Dumay, 2020).

2.3. Theoretical Foundations

In the next section, institutional logics are introduced as the theoretical lens for this study. Studying a specific social world from an institutional logic perspective can help to explain how that world works and also help evaluating how individuals and organisations are influenced by their surroundings based on the actions they take (Thornton & Ocasio, 2008). The perspective is commonly used to study the adjacent social entrepreneurship field (Pache & Chowdhury, 2012; Zhao & Lounsbury, 2016) as it proves useful to describe contexts of multiple, possibly competing institutional logics (Kraatz & Block, 2008).

2.3.1. Institutional Logics

Institutional logics can be described as belief systems, covering the assumptions, values and beliefs for which are held in the society and grouped together in different logics (Thornton et al., 2012). One of the most cited definitions is based on Thornton and Ocasio (1999), according to which institutional logics are:

> *"the socially constructed, historical patterns of cultural symbols and material practices, assumptions, values, and beliefs by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their daily activity. […] [Each logic thus provides] a set of assumptions and values, usually implicit, about how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed." (p. 804)*

In other words, they are organising principles that inform actors' actions in specific settings, structure cognition and guide decision making (Reay & Hinings, 2009; Thornton & Ocasio, 2008). Institutional logics are represented through and carried out by individuals in their actions and can shape individuals' practices, their interest and identities (Pache & Santos, 2013a). Actors are rewarded by social legitimacy if they comply with a logic prescription and sanctioned if they deviate from it, encouraging the reproduction and stability of logics.

The perspective has become an increasingly popular research field within the last decade (Reay & Jones, 2016) and has become one of the key perspectives in organisational institutionalism (Greenwood et al., 2017). The origin of the institutional logics-perspective can be traced back to Friedland and Alford's call to bring society back in to organisational analysis (Friedland, 1991). The institutional logics perspective has been used to account for the plurality of norms and beliefs in institutional theory and explain the processes underscoring institutional formation and change (Cloutier & Langley, 2013). Thereby, institutional logics have advanced institutional theory to recognize the changing nature of institutions and their recursive aspects.

In contrast to its neo-institutionalistic origins, the institutional logics perspective assumes embedded agency, which emphasize a structurally deterministic and top-down view. Embedded agency describes that logics can exert both constraining and enabling influences on organisational and individual actors, and that these actors can exercise agency in forming, reproducing and transforming organisations (Friedland, 1991). Thus, the logics perspective incorporates a cross-level and dynamic emphasis that connects top-down and bottom-up views. Institutional logics are reproduced through the routine activities of ensembles of individuals, some actions reinforce existing logics, while others reframe or alter them (Powell & Rerup, 2017).

2.3.2. Institutional complexity

Institutional complexity is the antagonism caused by incompatible and conflicting institutional logics (McPherson & Sauder, 2013). Institutional environments have been traditionally conceptualised as homogeneous by researchers studying the relation between logics and individuals. However, this assumption can be challenged if multiple competing logics coexist in a certain field (Kraatz & Block, 2008). Societies, organisations or individuals that hold more than one logic may find themselves in conflicts or confusion when the goals or the activities of the logics are competing (Reay & Hinings, 2009).

If institutions are the rules of the game, actors that face institutional complexity play in two or more games at the same time (Kraatz & Block, 2008). It is common to find two or more institutional logics co-existing within one field, which leads to inherent rivalry and challenges for the actors to navigate their actions. Actors aiming to integrate competing logics, for example commercial companies adopting social goals, will have to act according to the values and practices of both logics (Pache & Santos, 2010).

Most studies that aim to understand how responses to such institutional complexity are determined have so far taken the organisational level of analysis (Pache & Santos, 2013a) where multiple responses and strategies have been found. On the contrary, studies at the individual level are in their infancy, but much remains to be done to thoroughly understand how individual actors respond to institutional complexity (Brandl & Bullinger, 2017; Jaumier et al., 2017). Institutional complexity is therefore not only a concern at the levels of society, organisational fields and organisations, but also for individuals (Jaumier et al., 2017).

Mirroring the development of research on organisational responses to multiple institutional demands (Oliver, 1991; Pache & Santos, 2013b), studies of how individuals respond to institutional complexity are beginning to emerge, and there are several important contributions within the field, however, the literature is still in a nascent state and much more remains to be done to understand how individuals respond to institutional complexity (Brandl & Bullinger, 2017; Jaumier et al., 2017; Voronov & Yorks, 2015).

2.4. Institutional complexity in impact investing

Organisations and individuals engaged in impact investing constantly find themselves between the conflicting commercial and social welfare logic as they seek to achieve both financial and social or environmental ROI (Höchstädter & Scheck, 2015; Roundy et al., 2017). Impact investment represents the cross-over of business and charity and as these domains originally emerge from diverse sets of logics, impact investors can be confronted with unfamiliar combinations and notions of value (Lee et al., 2020). Investors moving into the impact domain are unsure about the value capture when working with entrepreneurs who have not only a profit focus and prefer to be reassured that the entrepreneur's priority is the exit rather than the sustainability mission (de Lange, 2017).

At the one end, charitable firms represent one extreme of the investing continuum with a social-only motive with a motivation to maximise social value through funding (Agrawal & Hockerts, 2019a). Conversely, on the other end of the investing continuum, investors such as venture capitalists represent a profit-only motive. The investment evaluation process as well as performance measurement are solely based on financial returns. The commercial logic emphasises norms, practices and values that are connected with the goal of increasing dividends and rewarding efficiency and control (Agrawal & Hockerts, 2019a). Table 1 describes the institutional logics within impact investing.

Roundy et al. (2017) note that an individual entering this space should consider if their goal is to be a philanthropist or an investor, as they represent two different types of investors. According to the authors, impact investors will still prioritise either the commercial or the social welfare logic. As investor authenticity is important for appearing legitimate to other market actors (Florin & Schmidt, 2011; Mayer & Scheck, 2018), the strategies they apply for balancing the dual demands need to mirror the investor's true mission; impact-driven or for-profit driven.

	Commercial logic	Social welfare logic
Ownership	Group/individual owns the enterprise through investment or equity (Pache & Santos, 2010)	Group/individual protects and spreads the social mission (Pache & Santos, 2010)
Sources of legitimacy	Return on investment, performance, effectiveness, efficiency (Nicholls, 2010b)	Hero entrepreneur, beneficiaries, social change, disruptive change (Zahra et al., 2009)
Mission	Efficient allocation of resources; earned income while serving the society (Ruebottom, 2013)	Socially relevant and innovative solutions to serve the society (Zahra et al., 2009)
Central values	Self-interest, consumer rather than the beneficiary, earned income, growth (Tracey & Jarvis, 2007)	Social value creation, equality, social justice (Zahra et al., 2009)
Model of governance	Governance towards defined objectives and performance, linear and rational (Ruebottom, 2013)	A democratic form of governance, high importance on the interest of beneficiaries (Defourny & Nyssens, 2014; Ruebottom, 2013)
Logic behind decision	Profit maximation and fulfilling fiduciary duty (Battilana & Dorado, 2010)	Social value creation, welfare (Battilana & Dorado, 2010)

Table 1 – Conflicting institutional logics in impact investing adapted from Agrawal & Hockerts, (2019a).

An investor might evaluate an investment opportunity according to the logic from which the investor has its firmer stance (Vismara, 2019). Investors coming from a social logic tend to appreciate the sustainability aspects of their venture. Block et al. (2021) studied the screening criteria and found that equity investors like venture capitalists attach higher importance to financial sustainability, representing the commercial logic, compared to donors and less to the importance of the societal problem, thus the social welfare logic, compared to donors.

In a study on the Australian impact investing field, most impact investors have been found defaulted to balance the commercial logic over the social welfare logic (Castellas et al., 2018). However, a more recent study also found that impact investors are willing to sacrifice financial returns to achieve social objective, therefore indicating a stronger emphasis on combining, rather than separating the underlying logics (Block et al., 2021).

In practice, there is a variance among impact investors in their prioritisation of financial and social returns (Roundy et al., 2017). The types of investee that are considered eligible for impact investment is different among different impact investors. What is deemed social and who is eligible for social capital support requires normative, subjective judgement (Höchstädter & Scheck, 2015). When reviewing responses by impact investor to the institutional complexity the question arises if all impact investors rely on the same strategy. Impact investors are a heterogeneous group, which likely influences the type of investees, the investment goal and their correspondence to the commercial and social welfare logic throughout the investment process. The balancing of the two dimensions as well as the goals connected to each dimension are likely to be very distinct as well (Block et al., 2021).

2.5. Research Gap

As research moves from pre-paradigm to normal science, the growing practitioner interest in impact investing is currently not matched by relevant empirical, critical and theoretical knowledge and the growth of studies on impact investing has been slow (Agrawal & Hockerts, 2019b). While earlier studies lacked critical and theoretical elements, newly published studies are taking more theories into account, however impact investing is still in the initial stages for theory development. Current research does not clearly outline how investors engage in impact investment and how they respond to competing institutional logics appearing along the investment process (Roundy et al., 2017).

The existing understanding of the decision processes and prioritisation of financial and impact ROI throughout the investment process are at a nascent stage within research (Agrawal & Hockerts, 2019b; Lortie & Cox, 2018). Given the initial indications from adjacent fields of research and the initial indications of current literature, it might be helpful to apply conceptual frameworks like institutional logics to facilitate the understanding of the process of impact investing (Agrawal & Hockerts, 2019a).

Business angels play an important role for the funding of early-stage start-ups and have so far received only minimal attention in impact investment literature (Harrison et al., 2015; Roundy et al., 2017). Current research only holds one article that has studied impact investing at an individual level (Agrawal & Hockerts, 2019b). Since different types of investors differ in their approach to impact investing (Block et al., 2021) and business angels are within themselves very heterogeneous in their investment decision-making approach (Mason & Harrison, 2008; White & Dumay, 2020), business angels engaged in impact investing represent an interesting group to study in order to uncover how different investors make decisions in impact investing. Given the current state of the research field, studying how business angels respond to institutional logics in impact investments holds an area of great opportunity to fill the current research gap as visualised in figure 3.

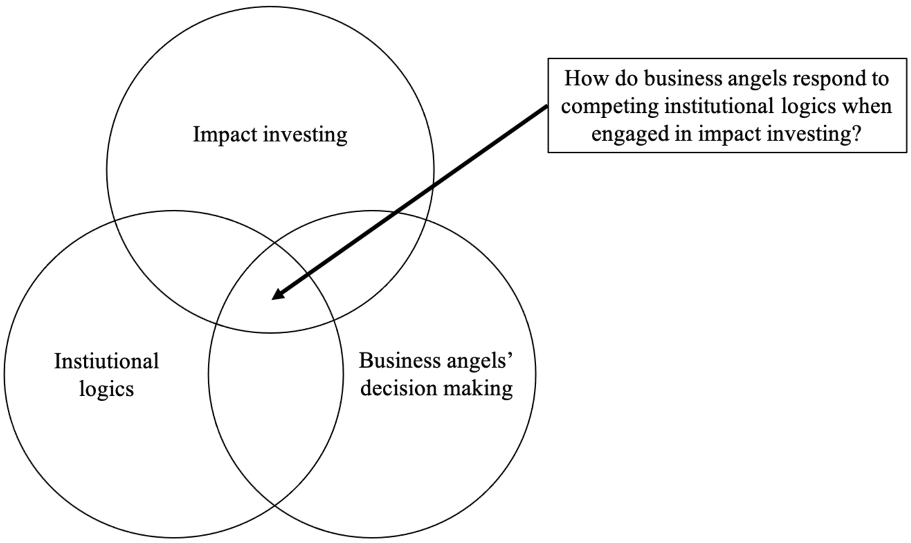

Figure 3 – Visualisation of the research gap.

2.6. Theoretical Framework

To address the identified research gap, the theoretical framework guides the data collection and data analysis throughout the subsequent chapters. First, the theoretical lens is introduced, then the model on individual responses to institutional complexity is described (2.6.1), and finally the analytical framework is presented (2.6.2).

As a field, impact investing is located between the opposing ends of the investment continuum and is therefore embedded in multiple institutional logics. Institutional logics prescribe what constitutes legitimate behaviour in a particular institutional field and provide taken-for-granted templates for what goals are legitimate and in what manner they should be pursued (Reay & Hinings, 2009). Individuals engaged in impact investing will face competing demands prescribed by the multiple logics, which makes them more aware of alternative courses of action and requires them to make decisions about what logic to obey, alter, ignore or reject (Pache & Santos, 2013a).

Logics are contextual and translated by members for their time and place (Jones et al., 2013) and are revealed through language, practices, and manifested in symbols and materials (Reay & Jones, 2016). Which logic is followed in a given situation, or in other words how an individual responds to the demands from multiple institutional logics, is therefore reflected in an individual's stated beliefs or enacted behaviour, which may fully comply with the demand of one logic or try to satisfy both of the logics.

2.6.1. Individual responses to institutional complexity

Studies of how individuals respond to pluralism are beginning to emerge, and there are several important contributions within the field. However, the literature is still in a nascent state and encompasses different underlying assumptions (Brandl & Bullinger, 2017; Jaumier et al., 2017; Voronov & Yorks, 2015). Scholars have either explained why individuals use certain logics by looking at the consequences of their actions and their potential gains from such use or assumed that individuals are more or less tied to specific logics through their socialization, and hence will enact and refer to these logics to a varying degree (Brandl & Bullinger, 2017).

Pache and Santos (2013a) propose in their theoretical model that, when facing competing institutional logics, individuals may resort to various responses: ignorance, compliance, defiance, compartmentalisation or combination, which are summarised in table 2. This model can be attributed to the socialised perspective (Brandl & Bullinger, 2017) and describes that the various responses can be explained by an individual's level of adherence to a certain logic that is comprised of the availability, accessibility and activation of certain logics. However, as this study focuses on how the business angels respond to institutional complexity, thus contexts of high hybridity, rather than why a business angel responds in a certain way, only the responses itself will be used to construct the analytical framework.

Ignorance describes an individual's lack of reaction towards institutional demands, compliance refers to an individual's full adoption of the values norms and practices described by a given logic and defiance refers to an individual's explicit rejection of values, norms and practices prescribed by a certain logic (Pache & Santos, 2013)a. In high hybridity contexts, an individual is unlikely to choose one logic over the other and when individuals are aware of the logics at play, they are more likely to resort to two main responses: compartmentalisation or combination.

Degree of compliance	Response	Description
Low	**Defiance**	Explicit rejection of values, norms and practices prescribed by a certain logic
	Ignorance	Lack of reaction towards institutional demands
Mixed	**Compartmentalisation**	**Decoupling** Symbolically endorse practices prescribed by one logic while actually implementing practices promoted by another logic
	Combining	**Selective coupling** Coupling of intact elements drawn from each logic **Blending** Development of new values, norms or practices which synthesise the competing logics
High	**Compliance**	Full adoption of the values norms and practices described by a given logic

Table 2 – Individual responses to competing institutional demands adapted from Pache & Santos, (2013a).

Compartmentalisation refers to an individual's attempt at purposefully segmenting the compliance with the competing logics by enacting all logics, yet keeping them separate (Pache & Santos, 2013b). This allows individuals to secure legitimacy by displaying compliance to multiple logics, even if they are incompatible. Individuals may display full compliance with a given logic in one context and then display adherence to the competing logic in other contexts, thus compartmentalisation can occur across time and space. Individuals can also compartmentalise through decoupling, which implies symbolically endorsing practices prescribed by one logic while actually implementing practices promoted by another (Pache & Santos, 2013b).

Combination describes an individual's attempt at blending some of the values, norms and practices prescribed by the competing logics in the same context or activity. While combining conflicting logics is not necessarily easy given potential incompatibilities between the prescriptions, it may translate into the development of new hybrid practices. Individuals can combine multiple logics through the development of new values, norms or practices that synthesise multiple logics or through selective coupling. Selective coupling refers to the purposeful enactment of selected practices among a pool of competing alternatives prescribed by multiple logics (Pache & Santos, 2013a).

2.6.2. Analytical framework

The analytical framework that is illustrated in figure 4 below synthesises the theoretical foundations and how they are applied on the research context. Impact investing is embedded in multiple logics, which are commonly described as commercial and social welfare logic. Investors engaged in impact investing therefore face competing demands prescribed by the multiple logics and, if following these prescriptions, their actions reproduce the logic.

How an individual responds to the demands from multiple institutional logics, is reflected in their stated beliefs or enacted behaviour along the decision-making process, including their goals. The responses are based on the repertoire of responses which Pache & Santos (2013a) describe in their model of individual level responses to institutional complexity (Pache & Santos, 2013b), as earlier introduced in the previous chapter.

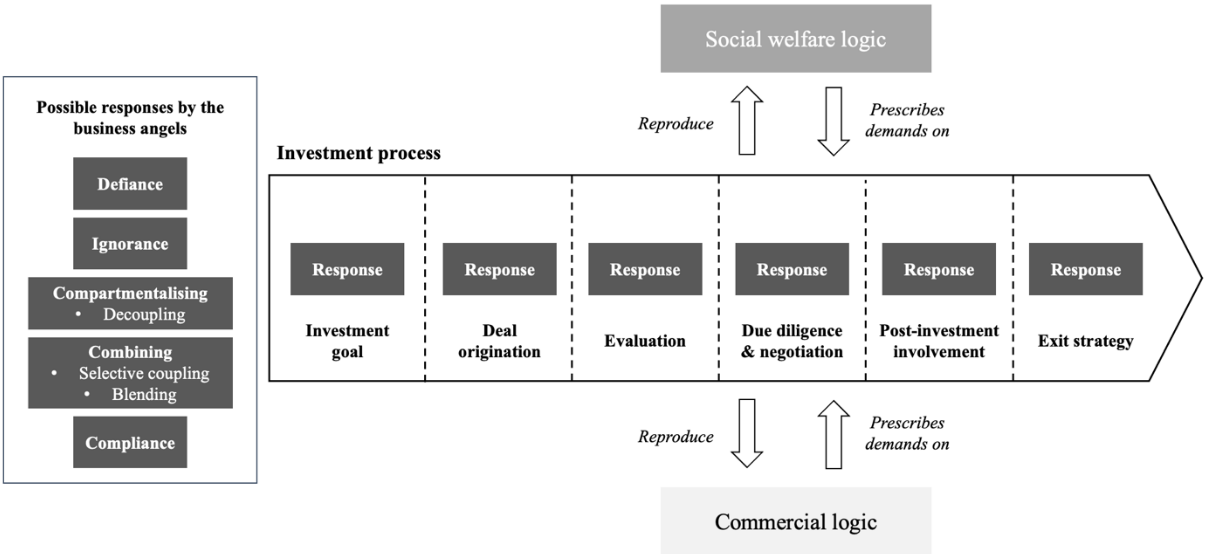

Figure 4 – Application of the theoretical framework on the research context.

3. Methodology

The following chapter describes the research methodology by first presenting the choices in regard to the methodology and philosophical stance, and how these fit with the study's research purpose and question (3.1). Then outlining the abductive research approach, pursued through a multiple case study design (3.2), followed by the theoretical, practical and ethical considerations taken in the data collection (3.3). Lastly, the steps of the data analysis (3.4) and a critical assessment of the study's methodological quality are presented (3.5).

3.1. Methodological fit

The methodological choices need to consider research purpose and question of the study. To answer the research question stated, a qualitative study was conducted. A comparative case design (Eisenhardt, 1989; Yin, 2003) was chosen to collect and analyse the data. As research into impact investing is only emerging, the case study method was favoured to explore the research question (Agrawal & Hockerts, 2019b). This study follows a qualitative research approach as it is an appropriate and effective strategy for early-stage research on a specific topic such as impact investing to gain understanding in situations where there is limited knowledge (Bryman & Bell, 2015). The chosen theoretical lens, institutional logics, is concerned with practices, symbols and norms, and therefore a deeper level of understanding can be reached with a qualitative research strategy (Reay & Jones, 2016). Moreover, research on business angels have been dominated by quantitative research, however the most cited research on business angels has been based on qualitative methods, indicating its methodological fit and need of understanding the business angels on a deeper level (Tenca et al., 2018).

The study has adopted a constructionist ontology, with an interpretivist epistemological stance (Bryman & Bell, 2015). Given this study's aim, the onto-epistemological perspective applied allows to understand the lived experiences of the respondents and the meanings they themselves ascribe to their reality (Welch et al., 2011), thus focuses on social sense making of the subjective lived experienced of the individual actors rather than an objective reality (Bryman & Bell, 2015; Piekkari & Welch, 2018). As logics are under constant social construction and reconstruction by individual actors (Thornton et al., 2012), this approach fits well with the theoretical foundations. By adopting an interpretivist stance, this study can provide nuanced descriptions of localised practices or statements of beliefs in impact investing from which a pattern associated with a particular logic can be shown (Reay & Jones, 2016).

3.2. Research Design

The research design encompasses the framework for the collection and analysis of data. This study follows a multiple case study design in order to collect and analyse empirical data (Eisenhardt, 1989). Multiple case studies are appropriate for answering how research questions in unexplored research areas such as impact investing (Yin, 2003). Case studies can be intended to generate theory, namely induction, test theory, namely deduction, or make use of both by applying an abductive approach to theorising (Yin, 2009). This study relies on an abductive approach as it starts with constructs and a theoretical framework derived from previous literature, the deductive aspect of this study, but leaves room for emergent insights and concepts, the inductive aspect of this research.

This allows to combine established literature and theory with empirics generated through an iterative process (Martela, 2015). Eisenhardt (1989) argues that without an existing framework, researchers may be overwhelmed by the volume of data. Previous literature on institutional logics, impact investing and business angels' investment process were therefore used to guide the development of the research question, case selection, as well as data collection and analysis. However, both the research question and the constructs are tentative in this type of research (Eisenhardt, 1989) and therefore allowed enough room for emerging insights and concepts.

3.3. Data Collection

The data collection describes how empirical data was collected in order to answer the research question. It is first laid out how cases to study were selected and furthermore how data on these cases was collected through semi-structured interviews.

3.3.1. Selection of cases

In order to select relevant business angels to study, purposive sampling was used. Purposive sampling aims to find participants in a strategic way, so that those samples are relevant to the research question being posed (Bryman & Bell, 2015). In the initial case selection, theoretical sampling was conducted, meaning that cases are chosen for theoretical, not statistical reasons (Eisenhardt, 1989). Thereby only business angels that self-identify as impact investors or have stated that they have an interest in ventures that work on social or environmental problems and who all conduct such investments in Sweden, have been contacted. In order to achieve variety and balance in terms of investment experience and background prior to investment and focus areas of investment, a wide range of investors was approached.

Business angels tend to be difficult to identify because of their anonymous nature and it often result in small samples (Tenca et al., 2018; White & Dumay, 2017). Consequently, the study further relied on snowballing sampling, as interviewees were asked to identify further potential interview partners who they considered to be engaged in impact investing. Publicly available data such as profiles on platforms like LinkedIn or Crunchbase was used to confirm their compliance to the sample criteria. Finally, relying back on theoretical sampling, further cases were chosen which are likely to replicate, verify or extend the emergent insights (Eisenhardt, 1989). Prior to the interviews, all respondents received a form, to be found in appendix 1. An overview of the profiles of the selected cases can be seen in appendix 2. In summary, the data sample includes business angels who have an average of 7 years of experience, 12 investments each that range between SEK 50.000 – 1.500.000, and on average around SEK 350.000. All business angels within the sample focus on investments in early-stage start-ups and have conducted such investments in Sweden.

3.3.2. Semi-structured interviews

The research method specifies the technique for collecting data. Primary case data was collected through semi-structured interviews, which ensured that relevant topics were covered while flexibility for respondents to elaborate on thoughts and motivations was maintained (Bryman & Bell, 2015). Semi-structured interviews allowed to emphasise how the interviewee frames and understands issues and events, therefore offer explanation and understanding of events, patterns, and behaviours.

Based on the research questions and established constructs from the literature, an interview guide was developed and continuously adapted throughout the data collection process to ensure that data was collected as efficiently as possible and to incorporate emerging insights from previous interviews. The purpose of the interview guide was to generate sufficient data to answer the research question, while minimising an overload of information. The interview guide included questions on the investment process and criteria, the appropriate balance between the financial and non-financial return of their investment, and more concretely how respondents ensured that their investments would yield such returns. An overview of the interview guide can be found in appendix 3.

In total 18 interviews were conducted, with the interviews lasting between 30 and 60 minutes, and the total interview data corresponded to 917 minutes of recordings, and specific data for each interviewee is outlined in appendix 4. Due to the COVID-19 pandemic, the interviews were conducted via a video-conferencing service which allowed for maximum convenience and minimized effort of respondents (Bryman & Bell, 2015). Online face-to-face interviews were deemed as the most appropriate online interviewing technique to ensure detailed answers and commitment from the interviewee, compared to alternative techniques like online text interviews in the form of emails (Curasi, 2001).

However, online personal interviews, compared to in-person interviews, come with the challenges of establishing rapport, read body language and that the interviewee may lose focus on the interview questions as there is a possibility for distraction of other online notifications appearing during the interview (Bryman & Bell, 2015). The authors aimed to tackle this by encourage the interviewees to turn on their video camera, which all, apart from two interviewees, followed. Internet connectivity was also a challenge during two of the interviews. In this case the interviewer repeated the question and followed up on their answers to make sure it was captured by the recording.

All interviewees were asked for their consent to record the interviews to which all respondents agreed to. All interviews were conducted in English, recorded and subsequently transcribed, in the first round by using an automatic voice-to-text application (Otter.ai) and afterwards manually corrected. Both authors were present during all interviews to ensure that collected data could be interpreted by both authors. Multiple investigators have two key advantages, as team members often have complementary insights which add to the richness of the data and the convergence of observations from multiple investigators enhances confidence in the findings (Eisenhardt, 1989). One researcher led the interview, while the other took thorough notes and entered the conversation to ask follow-up questions, with each interview the roles were switched during the study.

3.3.3. Ethical considerations and implications

Ethical considerations were taken to increase the dependability and the authenticity of the thesis (Bryman & Bell, 2015). It was applied at the collection of empirics, the interview process and during the analysis. All interviewees were asked for their consent to participate in the study and for their approval to record the interviews. The recorded interviews were transcribed by a voice-to-text application, thus minimizes any biases held by the authors and increases the trustworthiness of the empirics and analysis (Bryman & Bell, 2015). Anonymity and confidentiality of the interviewees and their investments were applied to increase the truthfulness of the study, as it was considered that the interviewees then would share their thoughts on the subject more openly, also allow for generation of more data for which benefits the analysis (Bryman & Bell, 2015).

3.4. Data Analysis

The data analysis was approached in parts in parallel with the data collection. After each interview, observations and perspectives shared by the interviewees were discussed and noted down. This overlapping process of data collection and initial data analysis facilitated the saturation of emerging insights (Eisenhardt, 1989). Furthermore, it allowed for necessary adjustments to the theoretical framework and the interview guide along the data collection (Eisenhardt, 1989).

In order to answer the research question, it was crucial to understand when interviewees act according to prescriptions of which institutional logics across the investment process. The initial step of the data analysis therefore focused on identifying demands and prescriptions by particular logics within the interview data. This yielded a description of behaviours or beliefs that could be understood as enactments of either the commercial or social welfare logic. Next, these behaviours and beliefs where attributed to the various steps of the investment process, thus the investment goal and the decision-making process. Each case was examined to determine whether a business angel fully complied with one of the logics and thereby followed the prescription of either the commercial or social welfare logic, or whether an alternative behaviour was enacted.

To identify, describe and measure the institutional logics at play, a research process that Reay and Jones (2016) call capturing was used and where they suggest three different analytical techniques; pattern deducing, pattern matching and pattern inducing (Reay & Jones, 2016). The overarching commonality of the three techniques is its use of patterns, whereby the identification of symbols, beliefs, norms and material practices which actors act according to and make them associable with a certain institutional logic. The choice of technique is influenced by the researchers' epistemological and ontological position, the research approach and the units of analysis. (Reay & Jones, 2016). In line with the epistemological position of this study, pattern inducing was deemed most appropriate. This approach has several benefits, as it allows for nuanced and rich descriptions of localised practices and furthermore can provide insights into actors' explanations for particular behaviour (Reay & Jones, 2016).

Pattern inducing starts by analysing and coding text in ways that show behaviours or beliefs guided by particular logics. Patterns associated with logics emerge inductively from the data and then, as part of a constant comparative process within qualitative analysis, can be considered in relationship to findings from other studies or in comparison across cases within the study (Reay & Jones, 2016).

Both authors first approached the data separately to safeguard from subjectivity and biases held by the authors and to uphold the data quality of the study (Bryman & Bell, 2015). The behaviours and beliefs were clustered into groups believed to be meaningful themes. The next steps involved the first and second order coding stage, and finally at the abstract theme connecting to the two institutional logics, as exemplified in figure 5 and the full outline of data structure is explained in appendix 5.

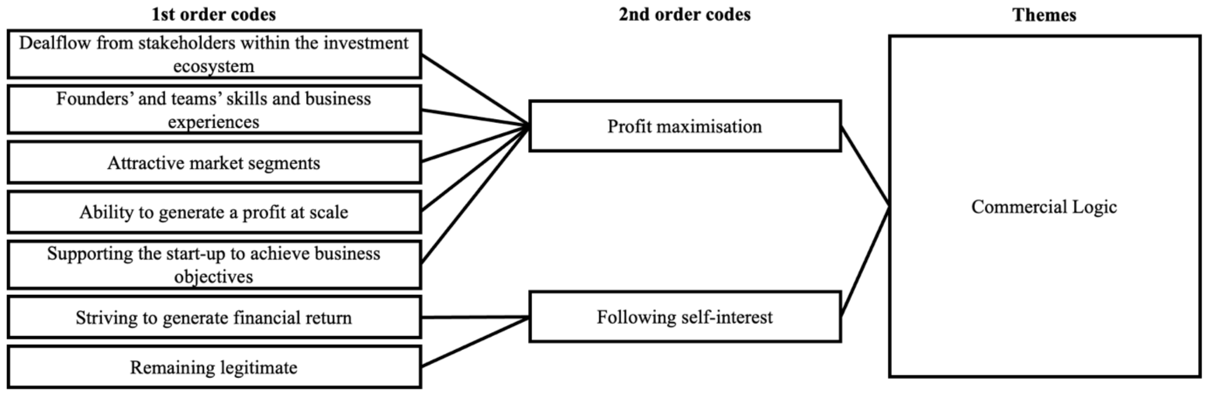

Figure 5 – Excerpt from the data structure.

In order to answer the research question, the final step of data analysis focused on understanding the business angels' responses to the institutional complexity in impact investing. To determine their response, the actual behaviour in a step was compared to expected behaviours according to the commercial or social welfare logic, which showed whether a business angel fully complied with the prescriptions of one logic or enacted an alternative behaviour. After an initial within-case analysis which involved a detailed report of each individual business angel's response, a cross-case analysis was conducted to identify differences and similarities of the responses (Eisenhardt, 1989).

3.5. Quality considerations

The appropriate way to determine the quality of qualitative methods continues to be a subject of debate among researchers (Bryman & Bell, 2015). Reliability and validity are often mentioned as applicable criteria for quantitative methods (Bryman & Bell, 2015), for which some authors modify to the nature of qualitative methods, while other authors have presented separate criteria applicable for qualitative methods (Guba & Lincoln, 1994). The ontological stance is suggested to be the guiding principle for the choice of quality criteria, while an interpretivist position does not focus on the objective perspective, the quality of the method should rather be assessed on the criteria of trustworthiness (Bryman & Bell, 2015; Guba & Lincoln, 1994). The primary criterion of trustworthiness can be broken down into four qualitative research criteria: credibility, dependability, confirmability and transferability (Bryman & Bell, 2015; Wallendorf & Belk, 1989). The quality of this study will be assessed below according to these four criteria.

3.5.1. Credibility

The data analysis phase is the central area of interest when determining the credibility, thus determining the trustworthiness of the findings. Critics argue that a multiple-case study approach tends to result in less attention spent on the specific context, rather focuses more on the ways in which the cases can be contrasted (Bryman & Bell, 2015). The information collected in the form, LinkedIn profiles, and media interviews were used to validate respondent's answers and strengthen credibility of the study (Bryman & Bell, 2015). Although no formal coding or analysis of the information was conducted, it can be considered triangulation.

3.5.2. Dependability

As previously stated, impact investing is a continuously evolving field, and the interviewee sample represent a wide representation of years of experience with impact investing, thus there are opportunities for uncovering other findings as the field is evolving. The criteria of dependability aim to secure that the findings remain valid over time (Bryman & Bell, 2015). Guba & Lincoln (1985) suggest that an audit approach, where the empirics is given to an external auditor. Alternatively, Wallendorf & Belk (1989) suggest applying a longitudinal study where interviewees are revisited to understand the evolvement of the field over time. As the auditor approach rather have the characteristics of the conformability criteria, and by considering the time and resource constraints of this thesis, an adjusted version of Wallendorf & Belk (1989) was applied. In order to uphold the dependability of the study, the interview guide included two questions that addressed how the interviewees' behaviour and beliefs, in regard to engagement with impact investing, had changed since they started. Additionally, media interviews and career history were considered to understand their professional experience of the area. Ultimately, this increased the likelihood that an identical outline of this study would generate the same findings if conducted in another time or by another researcher.

3.5.3. Confirmability

The interview template for the semi-structured interviews only included open-ended questions in order to avoid leading questions, that otherwise could influence the interviewee. Objectivity was further attempted to be upheld by having both authors coding and analysing each of the interviewees' transcripts and then subsequently shared, compared and adapted. It allows to minimise groupthink and the influence of subjective values or beliefs held by the researchers when interpretating the interviewees' answers (Guba & Lincoln, 1994; Wallendorf & Belk, 1989) to ensure confirmability (Bryman & Bell, 2015). Additionally, the second round of interviews and consultations by field experts were introduced to verify and extend emerging insights (Eisenhardt, 1989; Guba & Lincoln, 1985) to further certify confirmability.

3.5.4. Transferability

A qualitative approach and case design are common areas for criticism as these characteristics can prevent transferability of the study (Bryman & Bell, 2015), as the selection of cases is a critical step for the degree of transferability of the findings (Eisenhardt, 1989). The findings of this thesis are limited to the specific theoretical sampling conducted, thus only applicable for business angels engaging in impact investment in Sweden. However, by using multiple cases it allows to mitigate some of the drawbacks, as it studies a broader range of investors that provide opportunity to establish concepts which hold similarities across contexts, thus increases transferability. Furthermore, producing rich information and understanding of the social world in which the research is conducted is of importance to achieve transferability (Bryman & Bell, 2015). Thick description has been strived for by applying semi-structured interviews to further uphold possibilities for transferability (Bryman & Bell, 2015).

4. Empirical findings

This chapter outlines the empirical findings by first providing a background of the interviewee's diverse understanding of impact investing (4.1). Then describing the behaviours and beliefs in impact investing, found to be guided by either the commercial or social welfare logic, is presented (4.2 – 4.5). For the sake of parsimony and clarity, the empirical findings are presented in aggregate, for all respondents. The names of respondents have been replaced by pseudonyms to preserve the interviewees' anonymity.

4.1. Background and context

The empirical data confirms that impact investing is still an emergent and constantly evolving practice. Especially regarding the definition of impact investing, high ambiguity remains. Even though impact investors hold a clear ambition to achieve at least some level of impact return, what exactly is considered impact remains open to debate.

> *"I think impact is, is a complicated word to use. I mean, impact for what? If you shift something in the environment, or you shift something for the better of the people or you take bad stuff away, all of it is impact." (Daniella)*

Some interviewees suggested that the term impact investing will not remain forever, as mainstream investment moves further towards impact investing and potentially absorbs the impact investment practices into mainstream investment practices.

> *"There are going to be start-ups and investors, and all start-ups will be impact start-ups and all investors will somehow be impact investors, I think.*" *(Ben)*

The interviewees observed an increasing trend towards impact investment in the past years, driven in part by increasing interest from institutional investors. However, multiple barriers remain for impact investments. With the increasing interest in impact investing on the one hand, the valuations of investment targets also increase, requiring higher commitment of capital. This in turn might also increase the chance of an economic bubble.

> *"Of course, they are going to be more expensive, and valuations are going to be driven up and maybe short time, they are going to be some disappointments as well. Because when there is so much money coming in, and there is only this many companies and they get too much money in some cases, and they fail to deliver on those." (Christer)*

Ambiguity remains when it comes to the measurement of social or environmental return and therefore a lack of clear expectations on what would be considered an appropriate social or environmental return was found. While the most common way to measure the financial return was the multiple of the return on the capital invested, the lack of maturity of existing methods as well as the lacking standards across the industry were discussed as possible reasons for the absence of clear targets on impact return. Extensive reporting on impact performance was furthermore considered infeasible for start-ups due to their resource constraints. Due to the early stage of the investment, the business angels generally agreed that any type of measurement, goals or predications are very uncertain and will likely change.

"You cannot be too strict and say that they should have all the measurements in place. Because that will not happen, it is much more important to actually move your investments in the right direction, and then start looking at measurements and things like that afterwards." (Frida)

Altogether, impact investing still holds a variety of interpretations within the investor community but aligns on the aim to achieve financial and non-financial outcomes. Despite its ambiguous definition, it receives increasing attention and engagement from various types of investors.

4.2. Profit maximisation

Across the respondents, a number of behaviours and beliefs were found where business were guided by a motivation to find high performing investment prospects with the potential to generate a high financial return on their investment.

4.2.1. Deal flow from stakeholders within the investment ecosystem

Almost all of the interviewees viewed their investor network as the source of most legitimate deal flow and actively sourced suitable investment targets through this network. One interviewee noted that their network was quite homogeneous and that many investors shared similar career paths. Their networks commonly included other types of investors where information about interesting investees is regularly shared, as stated by Ben:

"I also collaborate a lot with other early-stage investors, both angels and venture capitalists, to send them deal flow and have them loop me in when they have interesting cases coming up for example, so definitely. I mean, it is all about getting into these conversations early, right." (Ben)

Some business angels were also active members in business angel networks that have the aim to share interesting opportunities, conduct the due diligence together and syndicate in investments. These networks were generally not considered to focus on any impact goal, but instead described to have a 'wider focus'.

"My main channel is with the business angel network. I would say deal flow wise and that means I get to meet companies once a month through that organization." (Camilla)

Next to the investor network and the membership in business angel networks, some interviewees also engaged with commercial start-up programs, such as incubators or accelerators as explained by Beatrice:

"The most typical way has been the start-up program actually. The start-up program has been where I met companies that I first helped as a mentor and then I have ended up investing also." (Beatrice)

4.2.2. Founders' and teams' skills and business experiences

Many business angels highly value personal traits or skills that indicate that founders can achieve progress quickly and have the right knowledge to commercialise an idea.

> *"And typically, it is also sort of looking at how long time they take this team to create this amount of traction. And typically, it is great if I can be impressed by 'Oh, this team really created this amount of traction in this short period of time', then I sort of know that, okay, this is a team that that can get things done." (Christer)*

Furthermore, prior experience of launching and running successful ventures was deemed to be an important predictor of success and viewed as a way to decrease the financial risks in an investment.

> *"It is great if they have done a few companies before, especially if they have done a few companies in that space before. Or at least if they have, like a proven track record of being in that particular in that space like domain experts. I would not invest in, someone that is diving into a huge unknown with a team that never did it before. That is a huge risk on my end." (Ben)*

4.2.3. Attractive market segments

A large and favourable market segment are important to business angels who believe that addressing these markets will allow for greater scalability and financial success of the investee. Market size and growth are believed to be important criteria to predict these outcomes.

> *"And then we go a step deeper into the market, if it is a big market? Is it growing quickly? What do we think about it?" (Alexander)*

Some business angels tend to evaluate the target segment on the basis of market-specific facts and the level of competitiveness of the segment to determine its relevance, as stated by Beatrice:

> *"I definitely look at market size, I look at the opportunity." (Beatrice)*

4.2.4. Ability to generate a profit at scale

One of the most frequently mentioned aspects business angels evaluate is whether the potential investee is profit-seeking and has the ability to generate revenue. They demand a solid revenue model that has the ability to become financially sustainable, otherwise they refrain from investing.

> *"We have sort of mechanisms in place for companies where they play by the sort of the market playbook. I mean, they need to generate revenue, people expect to get paid a salary and everything." (Christer)*

The growth and scalability potential of the business idea are central for some business angels when evaluating the business idea. Investigation of intellectual property benefits and outlining future business plans and projections, are some actions taken.

Furthermore, it was highlighted that the business angels refrain to invest in companies that do not account for upcoming legislations and regulations, given that there is a great financial risk associated with companies not compliant with such regulations, which would harm the possibilities to generate a profit.

> *"Climate change is a risk. It is a huge risk. If you do not take that into account, you are not looking at the world and what is happening around you. And then you are not a company that I would like to invest in." (Ben)*

4.2.5. Supporting the start-up to achieve business objectives

There are frequent examples of business angels supporting their investees after the investment has taken place in operational tasks like marketing, fundraising, hiring and product development to achieve business objectives.

> *"I can also help them raise money, since I have the network in the venture capital industry." (Beatrice)*

Another example of the business angels' role is often their support as a mentor, sharing their own prior experiences as an entrepreneur and knowledge of how to achieve certain business objectives, as exemplified by Christer:

> *"Being able to do work and help them both, of course, investing money, but also time, effort and experience and be able to give them some of my experience in them setting up and building their ventures." (Christer)*

In summary, these behaviour and beliefs among the business angels are founded on a basis of investing their capital in a start-up with great performance outlooks, thus a high likelihood to achieve competitive financial return on the business angels' capital.

4.3. Following self-interest

Some business angels selected impact investments based on its opportunity for superior financial capital returns and/or because of their underlining motivation to uphold a good external brand of themselves.

4.3.1. Striving to generate financial return

Several business angels highlighted that being a business angel is inherently connected with the ambition to generate a competitive financial return on their investments.

> *"I do not want to lose money, I would rather make money. But once again, if I can have a 10x, or a 2x, obviously, it is nice to have a 10x every now and then." (Camilla)*

This idea has been further underlined by other business angels who mention that they aim to achieve financial ROI comparable with other non-impact early-stage investors.

"We compare ourselves financially towards early-stage venture capital funds. Those are the figures that we need to reach basically." (Alexander)

4.3.2. Remaining legitimate

Business angels also feel certain pressures to keep up with trends, but also to not be seen in any negative light by external referents. This includes other investors, but also the broader entrepreneurial ecosystem and the broader public.

"I definitely think that there is a peer pressure. And I think it is positive. Because you are held accountable for the start-ups you invest in." (Beatrice)

Engaging in impact investing was further motivated by business angels' ambition to uphold a favourable personal investor brand within the start-up and investor ecosystem.

"It feels good in the stomach, and it looks good externally, as well." (Ben)

"I think, more when it comes to the financial perspective, I think it is more the other way that you do not want to get this sort of stamp, some saying that you are the old-fashioned sort of climate." (Camilla)

4.4. Social or environmental value creation

There were several instances where business angels' behaviours and beliefs were guided by their aim to create social or environmental value through their investments, these indications are outlined below.

4.4.1. Engaging with non-profits, intermediaries and the public sector

Several business angels actively engage as mentors or advisors with non-profit organisations and public agencies. One interviewee explained that she engages with non-profit organisations because other investors are not familiar enough with investees that generate a social return.

"In 2015, in Stockholm when you said that you worked with social entrepreneurs, people were like, 'Oh, you mean you work with social media?' and things like that. So it was not a very well established concept at all. I joined a non-profit organisation [...] because they really understand what a social entrepreneur is, even though they are much more on the philanthropy side than I am." (Frida)

Besides an active engagement as advisor or engagement in non-profit organisations, some interviewees also identified potential investment targets by participating in impact-focused events, competitions or by being physically present in specific office spaces to have the opportunity to interact with their members.

4.4.2. Founders' and teams' values and morals

Some other business angels evaluate the founder or teams whether they have a great passion for the social or environmental problem they aim to solve. The business angel wants to see that the passion to make a difference and willingness to do good are strongly embedded within the founder or team.

> *"Are they authentic to what they want to change? And where they want to go? Do they know what it means on an empathic level? They can they live that, is that like part of their DNA? Because I think that, truly doing impact investments is to invest in people that can feel the pain with what they want to change." (Daniel)*

Other business angels also evaluate the founders based on their values, for example that their motivation exceed beyond making money. The alignment of the personal values and morals of the business angel with the founder's is of importance when certain business angels evaluate the founder or team.

> *"If it comes to where you need to make a decision, which is difficult, this guy has the heart on the right place." (Hanna)*

4.4.3. Selecting underserved founders

Dedicated selection of female or immigrant founders is made by business angels who want to promote equality in capital distribution from early-stage start-up investors to founders, as stated by Beatrice:

> *"So what you do is you invest in the team, and I try to invest in everyone except white male founders, as I see them being over served, basically […] What I do is, I tried to give money to underserved founders." (Beatrice)*

Other business angels invest in founders from socially disadvantaged communities to promote equality in capital distribution, but also inspire the younger generation about a career as an entrepreneur, as exemplified by Camilla:

> *"You want to show the kids in the suburbs, that you can become an entrepreneur […] By bringing up more entrepreneurships in the suburbs, that is a way to also have an impact, even if that might not be an impact company in terms of the business idea." (Camilla)*

4.4.4. Addressing societal or environmental problems

Some business angels place high importance on selecting investees which address a target segment that has a clear connection to a societal or environmental issue which is of high urgency for the world to solve.

"When you get a lot of pitches [...] And think about how important is that problem to the world to solve? And that is very, of course, subjective, in my opinion, what I think is worth or not. Then in many cases, you sort of start to realise that does not make that big of a difference. Then I do rather spend time on entrepreneurs trying to solve important problems, if you wish." (Christer)

Furthermore, business angels aim to avoid business ideas or start-ups that generate negative externalities as it can harm society or the environment, as it is the opposite of what they aim to do, as previously explained. Their investment rejections based on target segment are mostly mentioned in regard to sectors, products or services that has a commonly known negative externality, as exemplified by Beatrice:

"Gaming, alcohol, like betting. I also I really do not like payment services that help that are invoice based or like something that helps people take loans, private loans." (Beatrice)

4.4.5. Business idea's contribution to the target problem

Several business angels stated the belief that the impact needs to be at the core of the operations of the potential investee, thus that solving a societal or environmental problem needs to be integrated into the strategy. These business angels want that every unit or service sold provides greater benefits for the society at large.

"Then we like ideas, or actually only invest in ideas where every single unit they sell or if it's a service they provide, has some greater benefits than just like getting a nice clean car, but also that you save water for every single wash you make. And that the innovation and the core of the offering. So sort of trying to find products where the usage of the service or product is so heavily connected to something that might benefit the individual or the society at large." (Alexander)

This was also combined with the belief that the business operations should not create further societal or environmental problems and that the investee should therefore also internally be aware of its possible negative externalities due to its operations.

"I mean, is the impact business sustainable, as well. I mean, it may help a lot of people, but it may have a very high CO2 emission or it may exploit its employees or something like that. I mean, so then you have to look at both parts because, it could technically help a lot of people, but still exploit its employees." (Frida)

4.4.6. Supporting the impact agenda

Once an investment has been conducted, some business angels indicate to help the company achieve their impact mission. Some other business angels also try to push for their investments to adjust their operations or strategy to include aspects associated to social or environmental problems, like gender equality promoted by Ida:

"We keep pushing saying 'you need to have a female on the board and we need to recruit someone into it' because there are two male founders." (Ida)

Furthermore, some also support the impact agenda on a broader scale, whether it is to raise awareness for a certain social or environmental problem in the broader public, or actively increase the awareness for impact investment opportunities in the investor community.

> *"I'm here to plant seeds in people. So they start to understand that what you are investing in today is not going to happen tomorrow, it is going to happen in you know, five years." (Daniella)*

In conclusion, these behaviours and beliefs are all guided by a motivation to solve social or environmental problems and to raise awareness for these problems, and finally to create value for society and the environment.

4.5. Protecting and spreading an impact mission

Several business angels said to have decided to conduct impact investments based on their willingness to do good, while other business angels view it as a dedicated responsibility as an investor to also include aspects of social and environmental return.

4.5.1. Making a difference

Some business angels desire to make a difference through their investment activities and believe that it represents a great chance to have a positive contribution to a socially or environmentally relevant problem, as exemplified by the quote of Klara:

> *"I felt that I can actually make a difference with my money. It is an active choice, I can choose to support green development and if I realise green innovation, I can actually personally make a much larger contribution than if I buy an electric car or, you know. Because if you scale innovation, you can make a huge difference. So that is why I started to invest in sustainable companies." (Klara)*

These business angels at the same time belief that they can extend their positive contribution by promoting the sustainability dialogue and educate other investors about how to conduct impact investments.

4.5.2. Feeling responsible

Other business angels engage in impact investing because they feel a responsibility to contribute to social or environmental problems when being fortunate to hold a lot of capital.

> *"I think it is actually the only way to do it. If we do not do this, all of us, all the time. I mean, we are having a responsibility to make sure that we are leaving the world a better place and not the worst place, I think." (Camilla)*

As private investors and other high net worth individuals commonly support specific social or environmental sectors, business angels also hold the belief that it is part of their responsibility to contribute as well stated by Gabriella:

"I thought that if you have money, you have the obligation to be there and investing in life science because that is in research and such. Since most money being used for that comes from private people. So you must not forget that even if you are not that big as the Wallenbergs, for instance, that puts in several billions a year." (Gabriella)

5. Analysis

The following chapter will apply the analytical framework to understand how the business angels respond to the institutional logics throughout the investment process. The identified behaviours and beliefs that were found to be guided by either of the logics, as described in the previous section, are first allocated to the different steps in the investment process (5.1). The response to the institutional complexity within each step of the investment process is then determined by comparing the actual behaviour to the demands and prescriptions according to either logic (5.2). This shows whether a business angel only follows the prescriptions of one logic or enacts an alternative combination of both. The chapter concludes with describing the response patterns across the investment process (5.3).

5.1. Allocation of behaviours and beliefs on the decision-making process

To determine the response to the institutional complexity within every step of investment process, all identified beliefs and behaviours were allocated to the respective steps they appeared in. First, all demands and prescriptions that described the investors motivations were grouped into the investment goal. Next, all other demands and prescriptions were placed on the business angel decision-making process as described by White & Dumay (2020) and the result of the breakdown is outlined in figure 6 below. It was discovered that the deal origination, evaluation and post-investment involvement are the steps in which beliefs and behaviours according to both logics could be found and tensions could be detected between them.

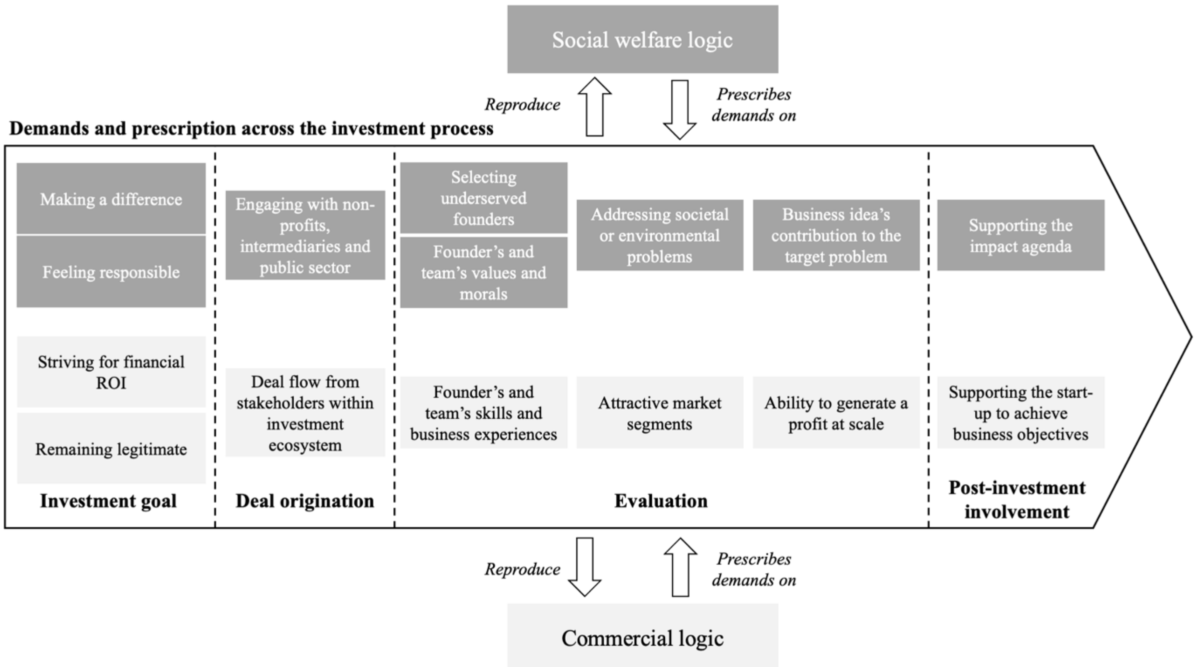

Figure 6 – Summary of the demands and prescriptions sorted across the investment process and according to the commercial and social welfare logics.

It was unclear, whether some behaviours or beliefs should be allocated to the evaluation or could also be considered to be part of the due diligence and negotiation. This highlights the highly heterogeneous, often iterative decision-making process of business angels. For clarity and comparability, all these behaviours or beliefs were therefore attributed to the evaluation step.

The following chapters will describe which behaviours and beliefs, as outlined in figure 6, for which different business angels follow during the investment process, whether they only follow one logic or enact some combination of both logics.

5.2. Responses to institutional complexity in the investment process

Starting with the investment goal and further deal origination, evaluation and post-investment involvement, this chapter illustrates how the business angels respond to institutional complexity in every step of the investment process, following figure 6.

5.2.1. Investment goal

According to the definition of impact investing, return expectations of impact investors include a certain level of financial as well as social return on investment (Höchstädter & Scheck, 2015). Therefore, all impact investors are expected to follow both the commercial logic, income generation, and social welfare logic, social value creation, in order to form their expectations of return. However, the degree to which both logics are combined and therefore shape return expectations among impact investors varies, thereby placing them on distinct positions on the investment continuum (Lehner et al., 2019).

This study finds that all interviewees blend their return expectations between financial and impact return. This is grounded on the belief in the potential of market-based solutions in form of for-profit start-ups to solve social and environmental problems as opposed to non-profit organisations, foundations or charities. The financial incentive was thereby considered important to align all stakeholders in order to solve societal and environmental challenges.

> *"I think, as an angel investor, you probably make the analysis that the combination is probably stronger if you put your money into a venture that has that drive and force, which is financially driven, as well. As opposed to just giving it to charity." (Ida)*

***Sustainable inve*stments**

Most business angels primary highlight the ability to generate greater or at least equal market-level financial returns by including social or environmental considerations in their investments. This is consistent with the characterisation of a sustainable investment according to the investment continuum by Lehner et al. (2019).

> *"But, for me, that has always been because it is a good business case to do so. And not because I'm trying to, you know, make the world better as the first reason, it is more that I believe that consumers and investors in the long run will not put money on things that are not sustainable and are not diverse." (Josephine)*

While the investment continuum is built upon the willingness to compromise on the financial return for impact return, some business angels believe that there are no inherent trade-offs between social or environmental value generation and financial value capture, but that they are integrated instead. They reject the assumption that social or environmental value and financial return are in conflict or either of them should be prioritised and therefore argue that a successful financial investment does not need to compromise on impact.

> *"And I think it really goes hand in hand in a way that, you know, you sort of seek more opportunities to solve important problems. And when you do that, you realise that that is going to help you run a more profitable business as well." (Christer)*

This group can also be considered to pursue sustainable investments as they do not prioritise impact return over financial return, however they also reject the inherent trade-off between the dimensions in itself. Instead argues that both dimensions are not to be separated but considered to be part of an integrated value proposition.

Visionary investments

On the other side, a smaller number of business angels primarily referred to their ambition to make a difference as their main goal, thus the social or environmental return was their primary driver. These investors were indeed willing to compromise on financial returns to a certain extend in order to achieve the impact return, both in terms of the time to generate a certain financial return as well as the level of financial return itself, and they can therefore be considered to pursue visionary investments.

> *"I mean, everyone wants the greatest investment, but they are also okay with a little bit of a slower trip or a different financial trip, if you also see that you create something sort of good." (Anna)*

Those that pursued visionary investments explained how investments that included a social or environmental return expectation were not evaluated as critically on the financial side. If the financial return would be below a certain multiple or even fail to deliver financial return at all, it would not be considered a failure as it still satisfies the business angel due to the social or environmental return created for the beneficiaries. One interviewee noted that this type of investment could then be considered a philanthropy instead.

> *"All kinds of angel investments are very high risk, and you must be prepared that some of them will or may fail. And in my world, if I have invested in companies doing something good, even if that might fail in a financial sense, they might actually add something good to the world. So then it is not a total failure. It is still something good. And then they just become a philanthropic project instead." (Frida)*

The analysis of the investment goal also showed that one business angel might pursue different kinds of investment goals across their investment portfolio. This was motivated on the one hand by the limited number of investment opportunities if locked into a single investment goal. At any point in time, not enough investment prospects might be available that fit a certain goal. Another motivation to pursue different investment goals at different times was the possibility to diversify risks and opportunities of financial and impact return.

> *"So basically, trying to have a portfolio with some companies that totally disrupt the markets sustainability-wise, some that have a bit more limited impact but might impact a lot of people and some companies that have really huge potential, or big potential of reaching a huge level, and therefore the impact will be great." (Alexander)*

In conclusion, all business angels blend their return expectations, with most pursuing sustainable investments prioritising financial returns and accepting no or only little trade-offs to their financial ROI and a smaller group of business angels pursue visionary investments, prioritising social or environmental returns while being open for lower financial returns. It also appears that business angels might pursue different goals in different investments to adjust to the available investment opportunities or diversify risks.

5.2.2. Deal origination

The choice of deal sources determines the pool of possible investment targets and therefore has a critical role in the impact investment process. All concurrent steps in the investment process continue to narrow down the number of investment targets until the investor chooses to invest into only a few of those opportunities in this pool.

Business angels rely to a great extent on their existing network and passive deal origination, but also actively source opportunities by extending their existing network or further engaging with the existing network. This might change or strengthen their network constellation over time, which might increase or decrease their legitimacy towards other investors, potential investees, or other institutional referents. As more investors adapt impact investment practices, the amount of capital available to investees increases while the number of available investment opportunities decreases. One business angel describes how the positioning changes to stay relevant towards institutional referents.

> *"So I see that is one of the trends, the fact that the positioning and the focus is constantly changing." (Alexander)*

Compliance with commercial logic

Several interviewees complied with the commercial logic while ignoring the social welfare logic when they sourced their opportunities. These business angels relied on their professional network that consisted primarily of other investors, such as business angels, venture capitalists or business angel networks. Furthermore, some actively engaged in commercial start-up programs to source their investment opportunities.

Blending

Among other respondents deal sources were blended, thereby adhering to the prescriptions of multiple institutional logics. This mainly involved the extension of an existing commercially focused network, as described above, by blending it with deal sources which primarily aim to promote social or environmental value generation, such as non-profit organisations, foundations or the public sector. It leads the business angels to split their attention across opportunities from deal sources that might provide opportunities that promise strong financial returns but not necessarily strong social or environmental returns, as well as those where this relationship is turned around. While this might increase their pool of investment targets, it might also decrease their overall relevance.

One business angel noted how combining was deemed appropriate, as deal sources that are associated with strong financial performance might not be sufficient to find relevant impact investees.

> *"I think I have been more active lately in placing myself in circumstances or in networks where sustainable companies are more present [...] Because I realised that my existing network is not potentially providing me with enough cases, I think I need to actually put some more effort into seeking them in these kinds of environments." (Christer)*

Intermediaries, which act as a link between different parties, are often used by business angels to blend their deal sourcing as it facilitates the connection with potential impact investees.

> *"I think that the one of the main problems with impact investment for me is that we do not get to see the real impact companies. This includes companies from the suburbs, for example, outside of central Stockholm, so I'm working actively volunteering to work with a non-profit organisation that supports these kinds of companies." (Camilla)*

To summarise, in addition to passive sourcing, business angels actively source opportunities by extending their existing network or further engaging with the existing network. They either solely rely on deal sources that promise to provide strong financial performance thereby complying with the commercial logic while ignoring the social welfare logic or blend these sources with an alternative network that is focused on advancing social or environmental causes.

5.2.3. Evaluation

The evaluation can be characterised as an iterative process with multiple steps and evaluation criteria that do not necessarily follow a certain chronological order. Even though the majority of the business angels assess the founder or founding team, the target segment and the business idea during their evaluation of a certain investee, there might be differences in how they balance and prioritise the underlying institutional logics.

Three overall response patterns to the institutional complexity have been found that differ in how the business angels respond to the institutional logics during the evaluation process, which are blending, selective coupling and decoupling.

Blending

Many business angels responded to the institutional complexity by blending throughout the entire evaluation process. Behaviours and beliefs connected to both logics were integrated to fulfil the prescriptions of both logics and achieve both financial and societal or environmental return.

This can for example be observed when business angels evaluated the target segment of a certain investee. They tended to either start by assessing whether an attractive market segment also offers potential to create social or environmental return, or alternatively to what extend the focus on a social or environmental issue can represent an attractive market, as illustrated by the quote below:

"Right now, there is a massive push when it comes to waste, for example. Sustainable packaging, and recycling, that whole space is going to explode because legislation is coming. And all companies need to change and adapt. And all start-ups in that space that have a working product, and a good team, will do very well." (Ben)

While the business angel blends the competing logics, they can potentially reject an investee tackling a social or environmental problem but that does not offer a clear market opportunity as well as strong financial returns. Rejections are also made to potential investees targeting an attractive market segments that lack a connection to any societal or environmental problem and therefore the ability to achieve any type of social or environmental return. By blending both logics, they strive for an acceptable balance that would allow them to fulfil both goals.

Similarly, when reviewing the business idea, the respondents again attempt to blend prescriptions according to the commercial logic and social welfare logic. As they evaluate both the business idea's ability to generate a profit at scale as well as the business idea's contribution to the target problem, evaluation criteria according to both logics are used.

"It is not sustainable in the initial phases, so to say, but they at least need to have sustainability and circularity as the vision, right? Otherwise, it is definitely not interesting. But I think sometimes you just need to go to market fast. And you might need to compromise a little bit on sustainability and circularity." (Ben)

This allows to resolve the tensions between the conflicting prescriptions of both logics and only proceed with ideas where financial and impact potential are or can be integrated in a complementary way. Lastly, blending can also be observed in the evaluation of the founder or team. The business angels focus on individuals with strong skills and business experiences, who simultaneously are passionate about solving a societal or environmental problem. As one business angel explains, both dimensions are needed:

"You meet founders that are really well-polished in a way that they are very, you know, that is almost becoming a little bit greenwashing, that there is too much green painted on something that is not that green. They want to build a successful company, they want to make a lot of money. But when you scratch a little bit, you sort of realise that they are not that interested in actually solving these underlying problems. And I do not really like that. So, in those cases, I think I would pass, and I would really try instead, either they need to go and find co-founders or other people in their team, who really are passionate about that." (Christer)

Blending can help the business angels to exploit complementarities between the logics. Impact investing does not have to involve trade-offs, as the commercial focus can help to grow the social or environmental impact, or the environmental or social impact can improve the profitability and scalability. Yet, it is complicated and time-consuming, as business angels form their own combination of demands and prescriptions by both logics instead of relying on existing templates for action from just one.

In summary, business angels who blend the commercial logic and social welfare logic attempt to combine the competing logics throughout every aspect of the evaluation. Instead of optimising their evaluation for financial return on the one hand and social or environmental return on the other hand, they strive to find an acceptable combination between them that might even allow for complementaries, thereby reaching their return expectations. While those synergies might exist, uncovering them requires careful evaluation.

Selective coupling

Other respondents selectively couple and thereby combine intact elements of the institutional logics within their evaluation. These business angels only deem start-ups targeting an urgent or highly relevant societal or environmental issue to be relevant. Given the strong focus on the societal or environmental problem, these business angels first solely follow the social welfare logic when evaluating the target segment. If the investee does not target a societal or environmental problem, no further evaluation is conducted and the investee is rejected, as described by Gabriella:

> *"Since I'm open with a at LinkedIn, etc, people get in touch and I say 'no, thank you' to everything that does not have a connection to climate change." (Gabriella)*

This allows the business angels to ensure the social or environmental return already at the beginning of the evaluation, as they will only consider those investees further that have a clear commitment to a social or environmental target segment. In concurrent steps, the respondents focus on evaluating the commercial potential of the investee, thereby following intact elements of the commercial logic. After establishing that a certain investee targets a relevant problem, the business angels evaluate whether the business idea will be able to generate a profit at scale. A disbelief in not-for-profit organisations was frequently expressed by the business angels based on the premise that commercially oriented companies will more efficiently solve the social or environmental problem targeted. Furthermore, respondents evaluate the founders' or team's skills and business experience in order to determine their ability to realise the business idea. The entire response pattern based on selective coupling can be illustrated by the following quote from Frida:

> *"First, what I look for is that they solve a problem in society or for the environment. I mean, the business idea should be to solve a pressing issue in the world. And then I look at the team, I think the team is even more important than the business model, because you can change your business models 100 times, but it is more difficult to change your team. So team is very important. And then I look at the business model that it makes sense, that they have a chance to succeed, I usually want some kind of traction so that they can show that they can commercialise their idea." (Frida)*

In conclusion, business angels that selectively couple in the evaluation follow the social welfare logic in the evaluation of the social or environmental problem, but subsequently adhere to the commercial logic when evaluating the business idea and the founder or team. Therefore, they combine some of the values, norms and practices prescribed by the competing logics during the evaluation. Selective coupling enables the business angels to first ensure social or environmental return and subsequently reduce the financial risk, thereby realising their return expectations.

Decoupling

Another response pattern applied by the business angels can be characterised as decoupling, as it symbolically endorses the social welfare logic while operationally following the commercial logic. Business angels thereby focus on investing into those founders that have previously received only little attention from venture capitalists or other traditional investors, highlighting the inequality in the allocation of investments itself. Thereby they separate the social return from the organisation they invest in, where they only strive for financial returns, and instead achieve social return through the act of the investment itself.

In the founder evaluation, the choice to select underserved founders, which is guided by the social welfare logic, is motivated by their ability to achieve greater performance, a demand from the commercial logic. Thereby the business angels symbolically endorse the social welfare logic while the commercial logic is the basis of action. This decoupling behaviour can be illustrated by the following respondents:

> *"Why I also say underserved, it is not, I'm not dealing with charity. I see potential, because I can identify with the founders, whereas a lot of venture capitalists cannot." (Beatrice)*

> *"There is a higher return, if you have got gender balanced, executive team. So there is so much proof that you also would generate higher returns." (Ida)*

Furthermore, this type of response is characterised by behaviours that follow prescriptions of the commercial logic when evaluating the value and attractiveness of the market and the ability of the business idea to generate a profit at scale, thereby ensuring the financial return of the investment.

Altogether, business angels who decouple in the evaluation act according to the commercial logic across the evaluation, while symbolically endorsing the social welfare logic through the focus on underserved founders. Thereby they keep the act of investment and their compliance with the social welfare logic separate from the impact performance of the investee.

5.2.4. Post-investment involvement

Once an investment has taken place, business angels are often tied to their investees for several years as they have limited possibilities to sell their equity stake. They might take different roles in the relationship post-investment with some being more actively involved in the investee's operations while others are more passive owners.

Compliance with the commercial logic

The study finds that most business angels comply with the commercial logic and ignore the social welfare logic in their choice of which role to pursue post-investment. This includes active support to achieve business objectives, such as support with operations, strategy but also establishing connection to subsequent investors or other individuals in their network. This response is often connected to a motivation to reduce risk of business failure or increase chances of business success.

Blending

Some other respondents blended both logics in their post-investment involvement, thereby combining prescriptions of both institutional logics. While supporting the investee to reach their business objectives on the one hand, they also supported the impact agenda within the organisation and beyond its boundaries. This included internal monitoring and support with the aim to ensure the social or environmental value creation, but also raising awareness on a broader level, in the investment community and beyond as this quote from Gabriella illustrates:

"I kind of become a superwoman, working with the climate because I feel that I can ask anyone for anything in the name of the climate, because it is your kids, guys. And we have to do this. So I'm also Pippi Longstocking." (Gabriella)

The investor splits their time between contributing to the business success, thus their financial returns, but also pushing for focus given to the impact agenda either internally or externally, thus increasing the chances of a successful impact return.

To summarise, business angels either only support the investee to achieve their business objectives and thereby only comply with the commercial logic while ignoring the social welfare logic, or blend between supporting to achieve both the business objectives and the impact agenda.

5.3. Overall response to institutional complexity

The analysis confirms the heterogeneous nature of impact investing. While all business angels blend the logics in their return expectations, thereby aiming to achieve both financial return and impact return, there are various responses to the institutional complexity along the investment process, that are outlined in figure 7. These different responses show how the institutional logics encompass constraining and enabling influences on individuals.

The business angels tend to both follow the prescriptions by either of the logics to secure legitimacy with institutional referents, such as the network from which they source potential investees or the investees themselves, but also exercise agency by choosing to apply certain responses to achieve their respective investment goal.

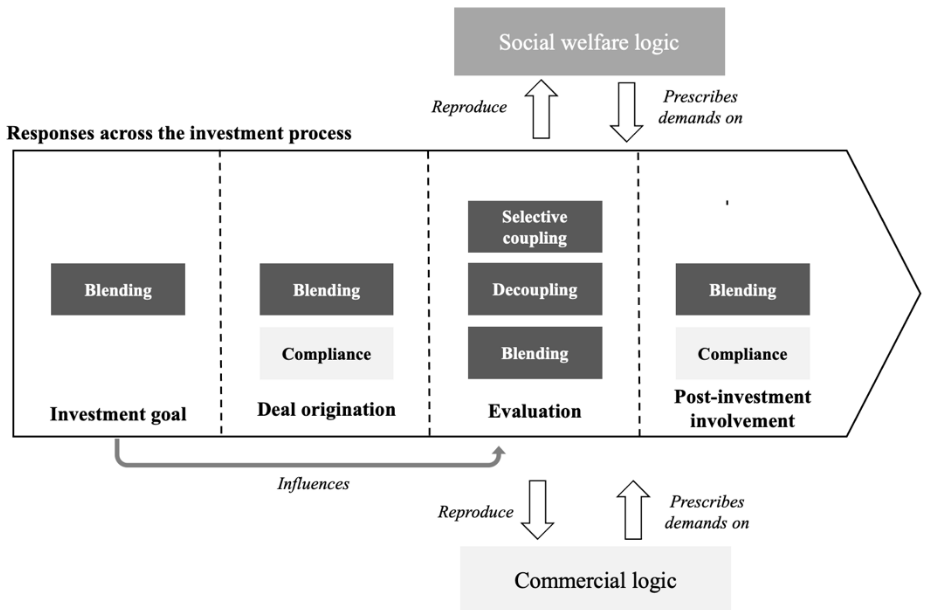

Figure 7 – Summary of the responses applied by business angels across the investment process.

The various responses applied by the business angels across the impact investment process could not be linked to any specific business angel characteristic, like investment experience, amount or prior background, yet again confirming how heterogeneous the respondents are. However, there are indications that the response in the evaluation mirror the investment goal of the respondents. Business angels pursuing visionary investments also respond by selective coupling in the evaluation. While business angels that strive for sustainable investment appears to either apply blended or decoupled response in the evaluation.

Selective coupling of some of the values, norms and practices prescribed by the competing logics in the evaluation allows the business angels to first ensure impact return and subsequently evaluate these investees according to the commercial logic, thereby reducing the financial risk and realising their financial return expectations. The business angels establish a filter based on the social or environmental target segment they want to contribute to, thereby adhering to the social welfare logic. This filter needs to be passed to proceed. This hierarchy is also present in their return expectations, as those that follow this response appears to pursue visionary investments, thus are willing to accept some trade-offs in financial return.

Blending the institutional logics by adhering to both logics during each step of the evaluation allows to initially engage with a broad range of potential investees with a variety of financial versus impact goals. Unlike selective coupling or decoupling, no distinct rejection criterion is applied at the start of the evaluation process. Business angels who respond to the institutional complexity by combining the logics form new combinations of evaluation criteria which are originally adopted from either of the institutional logics. It can be deemed as the most complex response, as it does not rely on readily available prescriptions by either logic and therefore requires the business angels to synthesise new values, norms and practices. These business angels can be considered to pursue sustainable investments, aiming for synergies between financial and non-financial goals, but importantly do not necessarily prioritise the financial return over the impact return as the position on the investment continuum might suggest.

The last response applied in the evaluation was decoupling, whereas the impact is achieved, and the social welfare logic is adhered to through a change in the capital distribution, contrary to other responses where this is realised through the social or environmental value generated by the investee. While the evaluation is based on values, norms and practices prescribed by the commercial logic, the social welfare logic is symbolically adhered to in an initial filter to select founders or founding teams. Screening criteria related to the impact and the financial return are kept separate. These business angels appear to also strive for pursuing sustainable investments, aiming for market-level returns while achieving the impact return by changing the capital distribution in the entrepreneurial finance ecosystem.

In addition to the evaluation, the business angels also faced competing demands in the deal origination as well as the post-investment involvement and responded to it in different ways. Some ignored the social welfare logic and complied fully with the prescriptions of the commercial logic during these two steps while others blended the logics in the deal origination and post-investment involvement. Blending the logics in the deal origination allows business angels to be viewed as legitimate partners for a more diverse set of potential investees. This response can also be understood as a strategy to increase the probability of social or environmental return as opposed to only following the commercial logic as it increases the pool of potential investees. Similarly, some business angels blend the logics in the post-investment involvement.

By supporting both the business objectives of the investee and the impact objectives within the business and to a broader public, the business angels can increase the chances to generate social or environmental value as well as secure legitimacy with potential investees that have a stronger stance in the social welfare logic.

When aggregated across the entire decision-making process, two overall responses remain, which are compartmentalising and combining. Those that adhere only to the commercial logic in some or all the steps or respond by decoupling, compartmentalise across the entire investment process as they adhere to both logics, yet keep them separate in one or more process steps. In contrast, business angels that combine in each step, including evaluation through selective coupling or blending, therefore combine across the entire investment process.

It is important to note that a business angel might not only rely on one response across their business angel investments but might employ different responses for different investments across their portfolio. Furthermore, some business angels also conduct investments in the public markets outside their business angel activity where they would pursue alternative investment goals.

6. Discussion

This chapter will further elaborate on the analysis (chapter 5) and discuss the findings in light of previous literature with the purpose to contribute to the earlier stated research gap (2.5). Therefore, this section will illustrate how the analysis can contribute to the research gap on how business angels respond to institutional logics in impact investing.

6.1. Heterogeneity of impact investing

The study confirms that the field of impact investing still lacks coherence and shows the ambiguities at different levels. First, many different definitions of impact investing exist among the investors. All business angels refer to impact investing as an approach which combines financial and social or environmental returns to a certain extent, which is in line with the definition that has been drawn upon in this study (Höchstädter & Scheck, 2015; Roundy et al., 2017). However, especially when it comes to defining and describing "impact", multiple views and perspectives have been found that spanned from creating positive impact through a new type of product or service, to creating positive impact through the act of investment itself by providing funds to traditionally overlooked founders. This shows that what is considered to be positive impact requires subjective judgement, which is in line with the findings of Höchstädter and Scheck (2015).

Differences can also be observed in the balance between the goals of impact investors. The degree of financial and impact ROI differs among the business angels in this study and therefore places them on distinct positions on the investment continuum, to pursue visionary and sustainable investments respectively (Lehner et al., 2019). Furthermore, differences could be observed in how the business angels balanced the competing demands throughout the investment process.

Overall, many ambiguities remain from what is considered impact, to the appropriate balance of financial and impact goals, to the way those goals are balanced across the investment process. A further complication, but also a consequence of these ambiguities is that none of the investors actively engage in impact measurement. While it has been considered to be an important practice to establish legitimacy between investors and investees (Lall, 2019), barriers to adoption are the lack of appropriate measurement tools (Räikkönen et al., 2016), uncertainty of predictions in early-stage start-ups and again the incoherent definition of what is considered impact.

In contrast to the work of Roundy et. al (2017), this study has shown that the business angels in the sample do indeed actively consider the impact return in their investments and do not necessarily keep their investments and philanthropic activities separate. However, as this previous research was aimed at contrasting multiple investor types, rather than investment types, it artificially separates these investor groups. Considering impact investing as a practice, rather than an investor characteristic might allow to move beyond definitions and boundaries of traditional investor types.

6.2. Alignment of responses and investment goal

Despite the fact, that all business angels do actively strive to achieve both financial and impact ROI, there are again many differences among them in regard to their investment goals and responses to the institutional logics which can be traced back to their individual nature (Avdeitchikova et al., 2008). It is difficult to determine the business angel's true mission, impact-driven or for-profit driven (Florin & Schmidt, 2011), philanthropist or investor (Roundy et al., 2017). While all business angels limit their angel investments to for-profit start-ups, some respondents act primarily as investors, those focused on pursuing sustainable investments, others might accept lower returns putting them closer to philanthropy or consider a failed start-up to be philanthropic project instead, the business angels conducting visionary investments, and a third group that can also be described as striving for sustainable investments and who does not believe that there is necessarily a trade-off between being an investor and philanthropist.

While there are different goals that business angels might pursue, this study has found indications that the type of goal held by the impact investor, striving for sustainable or visionary investments, is subsequently mirrored along the evaluation process. Studying the impact investing process through the institutional logics lens as suggested by prior research (Agrawal & Hockerts, 2019a), has thereby proved to be useful to uncover the prioritisation of financial and impact ROI along the investment process. If an investor's goal is mirrored in their investment approach and therefore become apparent to other market actors, it might help to both strengthen inter-organisational alignment between investor and investee (Agrawal & Hockerts, 2019a) as well as social legitimacy towards these market actors (Florin & Schmidt, 2011; Mayer & Scheck, 2018).

6.3. Responses to institutional complexity

Business angels do not necessarily respond in the same way at each step of the process, there is rather a repertoire of available responses. These responses can give further insides into how financial and impact goals are prioritised along the investment process and how the business angels seek social legitimacy by certain target audiences (Agrawal & Hockerts, 2019a). This study shows that during the evaluation, business angels either selectively couple, blend or decouple the institutional logics and during the deal origination and post-investment involvement either comply with the commercial logic or blend the two logics.

While other researchers have shown which criteria impact investors use to evaluate potential investees (Block et al., 2021), these different responses in the evaluation show that the criteria might not be drawn upon in the same order or are integrated to the same extent. For example, those that selectively couple in the evaluation place not only the highest importance on the societal or environmental problem, one of the criteria found by Block et al. (2021), but any potential investee that does not address such problem is immediately excluded. Agrawal & Hockerts (2019a) propose that this sector-specialisation of the impact investor can increase the likelihood of inter-organisational alignment. Responses found before the evaluation, deal origination, and after, post-investment involvement, can be further understood as strategies to secure social legitimacy towards investees and other institutional referents (Florin & Schmidt, 2011).

In line with what the model by Pache and Santos (2013a) predicts for contexts of high hybridity, the aggregated response across the investment process were found to either be combining or compartmentalising. This contrasts an earlier study, which found investors to decouple the institutional logics in impact investing by prioritising financial measures and outcomes (Castellas & Ormiston, 2018). The addition of the process that together can be considered as combining, response is an important insight to how the field might evolve. Any investor that responds by combining over time, has an important role in creating new institutional arrangements as they bridge the gap between two worlds in connecting different networks, evaluation criteria, as well as roles which Pache and Santos (2013a, p. 27) refer to as "hybridisers".

Finally, a noteworthy finding was that business angels might resort to different investment goals and responses across their angel investment portfolio. The lack of impact investment prospects as well as portfolio diversification in terms of financial and impact return have been outlined as potential explanations. As business angels have full control and freedom when they allocate their own capital (Mason & Harrison, 2008), this might set them apart from institutional investors who have less freedom and more stakeholders that, each with their own prioritisation between commercial and social welfare logic, demand their expectations to be fulfilled. This could imply that business angels, especially those that combine the logics, can be important drivers of institutional change in the field of impact investing for early-stage start-ups.

7. Conclusion

This chapter concludes with an answer to the research question (6.1) and outlines the contributions (6.2) and its practical implications on the field of impact investing (6.3). Finally, a discussion of the limitations of the study and consequently opportunities for future research is brought forward (6.4).

7.1. Answer to the research question

This thesis aimed to add to our understanding of institutional complexity in the impact investing process, while expanding the research field towards business angels as an investor type engaged in impact investing, the study was set out to answer the following research question:

How do business angels respond to competing institutional logics when engaged in impact investing?

During the evaluation in the impact investing process, business angels either selectively couple, blend or decouple the institutional logics. Depending on their investment goal, business angels respond to the logics differently in their evaluation. Visionary investors selectively couple and first follow the social welfare logic and subsequently the commercial logic. Sustainable investors either decouple, only symbolically endorsing the social welfare logic while operationally following the commercial logic, or they blend throughout the entire evaluation, attempting to satisfy both logics and exploit potential complementary aspects between them.

Business angels might additionally blend between the logics in the deal origination and post-investment involvement to increase the probability of social or environmental return and appear legitimate to a broader network of institutional referents.

Those that adhere only to the commercial logic in some or all these steps or respond by decoupling in the evaluation, compartmentalise across the entire investment process as they adhere to both logics, yet keep them separate in one or more process steps. In contrast, business angels that combine in each step, including evaluation through selective coupling or blending, combine the institutional logics across the entire investment process and thus might play an important role in creating new institutional arrangements.

7.2. Theoretical contribution

The primary theoretical contribution was to add to still emerging stream of research on impact investing. Studies on impact investing have so far lacked critical and theoretical components and out of 25 major peer-reviewed articles on impact investing, only 10 used any theoretical approach (Agrawal & Hockerts, 2019b). This study contributes to the understanding of the impact investing process using an institutional logics lens. Instead of limiting the analysis to describing the characteristics of the impact investor, this study has shown how impact investing can be understood from a process perspective. This allows for a view past goals, what investors aim to achieve, and also sheds light on the prioritisation of financial and impact return along the investment process and how they attempt to achieve it.

Business angels have only received very limited attention in the impact investing research (Roundy et al., 2017), and have previously been described to be distinct from impact investors. However, this study shows that business angels can engage in impact investing by pursuing both financial and social or environmental return when investing in early-stage startups. They can therefore play an important part in financing start-ups that aim to solve societal or environmental problems and could even act as hybridisers in creating new institutional arrangements as they bridge the gap between two worlds (Pache & Santos, 2013a).

As institutional logics are contextual and translated by members for their time and place (Jones et al., 2013), this study contributes to the impact investing field and shows how the competing commercial and social welfare logics prescribe demands on the business angels engaged in impact investing. By detailing the alternative beliefs and courses of action associated with each logic along the impact investing process and revealing how the business angels respond these competing demands in each step of the process, it was shown that business angels do not necessarily respond in the same way at each step of the process, there is rather a repertoire of available responses across the process.

These responses can contribute to the understanding of the impact investment process and the prioritisation of social and commercial goals at different steps of the investment process and extend those studies that have previously only focused on goals or outcomes.

7.3. Practical implications

Apart from the theoretical contributions, the findings presented in this study offers three areas of practical implications with regard to business angels, founders or teams, and other market actors participating within the start-up and investor ecosystem.

As business angels are characterised to have an unstructured decision-making process, the findings may shed light on possible ways for business angels to balance the competing demands which they are faced with when engaged in impact investing. Thereby, the findings of this thesis can spur reflections on the investment process and offer guidance on alternatives of actions to handle the competing goals in impact investing, on the type of investment investors strive for, sustainable or visionary, and increase transparency about the alternative approaches from other busines angels.

Furthermore, the findings may aid social entrepreneurs seeking financing to navigate among business angels and find a suitable fit. By understanding the alternative ways business angels conduct, evaluate and engage in impact ventures, social entrepreneurs can better tailor their marketing and strategy towards business angels to attract financing.

Finally, the thesis emphasises the importance for ecosystem actors, such as intermediaries, governmental agencies and other investors, to support the growing interest of impact investing by facilitating the necessary infrastructure. Entrepreneurial ecosystem actors and builders are suggested to adapt their offerings and support based on the remaining challenges in impact investing presented in this study. Additionally, they can build on the findings of this study to establish more platforms that gather impact investees, making them visible and accessible for business angels hoping to engage in impact investing.

7.4. Limitations and future research

While the thesis can offer several contributions, it is also subject to some limitations which suggest potential areas for future research. Impact investing is still an evolving field, which may limit the validity of the findings over time. Therefore, the study cannot answer how the findings will stand long-term nor does it take into account how the goals and the investment process relate to investment outcomes. The limitation could be addressed by adopting an ethnographic as well as longitudinal study, which would also allow to further strengthen the credentials of the logic identification by showing changes to the logics over time (Reay & Jones, 2016).

Furthermore, the thesis was set out to explore how the business angels respond to institutional complexity in impact investing and has not provided sufficient answers as to why the respondents might respond in a certain way. Understanding why certain investors respond in certain ways can further enhance the understanding of the impact investing process. Indications were found that business angels might resort to different responses across their angel investment portfolio. Consequently, studying portfolio diversification as well as the relationship between financial return, impact return and the associated risks might be useful to further explore how business angels balance competing demands present in impact investing.

The study was only able to offer a simplified view of institutional influences for the sake of clarity and parsimony and did only considered two institutional logics in its analysis. However, this might simplify the multiplicity of logics that could be considered relevant to study in relation to impact investing (Thornton et al., 2012). Furthermore, the attention to both social and environmental concerns was connected with the social welfare logic. Future research could explore whether a distinct environmental logic might evolve. While the institutional logics lens was proved useful, further theories such as principle-agent theory, network theory or institutional work could enhance the understanding of impact investing.

As the study explicitly focuses on business angels in the Swedish context and the nature of an interpretivist methodology means that explanations are relevant only to the context of the study (Reay & Jones, 2016). It remains unexplored whether the contributions are applicable for other investor groups conducting impact investments or business angels in other geographical contexts. It is suggested for future research to explore the theoretical generalisability of the responses found in this study, both through quantitative approaches in the same context or through similar approaches in other contexts of comparable maturity of social entrepreneurship and presence of the social welfare logic to the Swedish context.

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9. Appendices

Appendix 1 – Form sent to interviewees prior to interview

Brief professional background

- Your work experience and roles, industries/sectors you have worked in, entrepreneurial experience etc.

Years of experience as Business angel

- Counted from the year of your first Angel investment

Number of investments as Business angel

- Both individual business angels and syndicated investments

Typical stage of investment

- Please name the stage(s) you invest in (e.g. pre-seed, series A) and their characteristics (e.g. protype, existing customers, product-market-fit)

Typical investment amount, or as a range (SEK)

Investment sectors/focus areas

- E.g. certain technologies, industries, business models

Geographical focus of investments

- List the regions/countries in which you have invested in so far

Which investment pattern do you have experience in?

- Investing alone/investing alongside other business angels/investing as part of formal business angel group/ investing alongside other institutional investors (venture capitalists, corporate venture capital funds etc.)

Appendix 2 – Overview of business angel profiles

Pseudonyms of interviewee	Years of experience as Business angel	Number of investments as Business angel	Typical investment amount (SEK)
Anna	3	8	50k- 500k
Alexander	3	15	100k - 500k
Beatrice	1	5	250k - 400k
Ben	6	6	150k
Camilla	5	10+	100k
Christer	10	25	250k - 500k
Daniella	30+	40+	200k - 500k
Daniel	1	4	500k
Emma	7	5	100k
Frida	9	20	100k - 250k
Gabriella	7	9	250k - 1.5M
Hanna	3	10	150k – 1M
Josephine	6	3	50k - 100k
Ida	2	6	500k - 1M
Klara	10	9	300k - 1M
Erik	12	40	250k-10M
Fredrik	12	26	250k-5M
Lisa	15	10	100k-4M

Appendix 3 – Interview guide

Intro

- Please introduce yourself:
    - Why did you start to invest as a Business angel?
    - What has happened since you started investing?

Investment goals

- Investment focus
    - What informs your investment thesis? Main focus?
        - Why?
- Investment motivation
    - Why is that investment focus important for you?
    - What do you hope to achieve? (return expectations in terms of financial and non-financial terms)

Investment decision-making process

- Intro to investment decision-making process
    - Tell us about how you usually conduct the investment process?
        - Please share concrete examples
- Deal origination
    - How do you source investment opportunities?
    - What are your most common channels?
- Deal evaluation/ Due diligence
    - What type of information do you want to have of the investment prospect?
    - How do you evaluate the financial opportunity?
    - How do you evaluate the impact opportunity?
    - Why are you rejecting or approving an investment?
- Return expectations
    - How do you define a successful investment?
    - How do you view the combination of financial and non-financial return?
    - Do you expect to achieve a financial return at the same level as non-impact focused investments?

Wrap-up

- Drivers and barriers to impact investing
    - What are the challenges?
    - How do you overcome them?
    - What are your learnings this far?
- Reflection-question
    - Do you have any reflections or opinions you would like to add?
    - Any questions to the researchers or this study?

Appendix 4 – Summary of interviews

Interviewee	Round of interviews	Date	Length of interview
Anna	First	23/2/2021	60 min
Alexander	First	2/3/2021	56 min
Beatrice	First	5/3/2021	30 min
Ben	First	19/2/2021	50 min
Camilla	First	8/3/2021	57 min
Christer	First	18/2/2021	54 min
Daniella	First	25/2/2021	52 min
Daniel	First	22/3/2021	53 min
Emma	First	16/3/2021	60 min
Frida	First	19/3/2021	60 min
Gabriella	First	18/3/2021	54 min
Hanna	First	3/3/2021	57 min
Josephine	First	17/3/2021	56 min
Ida	First	26/2/2021	57 min
Klara	First	25/2/2021	41 min
Erik	Second	27/4/2021	30 min
Fredrik	Second	27/4/2021	60 min
Lisa	Second	28/4/2021	30 min

Appendix 5 – Data structure