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The structuring of social finance: Emerging approaches for supporting environmentally and socially impactful projects

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ABSTRACT

Although a new landscape of social finance institutions (SFIs) is evolving rapidly in Europe, the academic literature on the structures of legitimation that characterize the development of social finance has been limited. This paper addresses this gap: (1) by conceptualizing social finance (SF) as a pre-paradigmatic field where leading SF institutions have spontaneously adopted different investment rationalities and logics to achieve positive social impact through financing and banking activities; (2) by discussing dominant institutionalization patterns, empirically exploring the institutionalization of SF at the organizational, inter-organizational and institutional levels. A sample of seventeen SF institutions in three European countries, i.e. Ireland, Italy and the UK, was examined. The analysis highlighted that two forms of SF, i.e. social impact investment and ethical banking, guide the institutionalization and paradigm-building process. These two forms both assume the production of social impact, i.e. impact on society, the environment and sustainable development, as a distinguishing trait from commercial financial approaches, but differ in terms of business models and products and services provided to customers. Dominant institutionalization patterns reflect the social-embeddedness of these institutions. The convergence of the two dominant models would be desirable in order to further facilitate the development of social finance as a new paradigm in the financing and banking industry, alternative to commercial finance.

1. Introduction

Investment of capital for social and financial value creation has historical roots. Religious institutions, cooperatives, mutual societies and credit unions have been managing capital for social aims since centuries (Benedikter, 2011; Milano, 2011). However, recently, new approaches have emerged in managing finance for achieving positive social impacts, which have been labelled under the term "Social Finance". Social Finance (SF) defines the set of alternative lending and investment approaches for financing projects and ventures, requiring to generate both positive impacts on society, the environment, or sustainable development, along with financial returns (Weber and Duan, 2012; Bishop and Green, 2010; Nicholls, 2010a,b; Emerson and Spitzer, 2007). The term SF includes a variety of approaches, models and tools such as alternative currencies, community investment, crowd funding, ethical banking, microfinance, social impact bonds, social impact investing, social responsible investment, venture philanthropy (Périlleux, 2015; Allison et al., 2015; Howard, 2012).

During the last decade, SF has been growing significantly and has started to attract the interest of a variety of stakeholders ranging from governmental agencies to mainstream financial markets and society at large (OECD, 2015). Although data on the size and scope of the SF market is still limited due to, among others, the fragmentation of sectors and investment approaches, market potential has been estimated to be significant. For example, microfinance, which was an early model of SF, is estimated to include over USD50 billions of loans provided to over 100 million micro-entrepreneurs with an annual growth rate of 38% in terms of number of clients (Rangan et al., 2011). The OECD (2015) estimated similar potential annual growth rates for the SF market. Another study performed by the European Sustainable Investment Forum (Eurosif, 2014) found that the European SF market reached around USD 21 billion in 2013 with France, Italy, Germany, the Netherlands and the UK representing the leading markets.

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Social Finance in Europe is emerging at multiple levels and in different forms, driven by four categories of actors (see Fig. 1). Initially, SF has been developing to address to the financing needs of social ventures. Albeit being increasingly able to generate both financial and social value, social ventures often face difficulties in accessing mainstream financial market due to the risk and return characteristics related their business (Huybrechts and Nicholls, 2012; Gundry et al., 2011; Di Domenico et al., 2010). Second, governments have recognized the potential of SF in supporting the generation of social impact by financing social ventures. Governments have been sustaining the rise of SF through, for example, direct or indirect investment or through approval of specific legislation and policies favouring the development of national SF markets (Martin, 2013). Third, SF provides opportunities to the growing demand for corporate social responsibility (CSR) in the financing and banking sector (Barigozzi and Tedeschi, 2014). As it grows, SF has been attracting mainstream financial investors interested in both portfolio diversification and in new initiatives to include in their corporate social responsibility (Mulgan et al., 2011). Finally, SFI appeals to socially-minded investors such as philanthropic organizations, communities and pro-socially motivated individuals, who are increasing searching for innovative models for allocating financial resources to social relevant initiatives in ways that maximize social return on investment (Nicholls, 2010a,b).

Fig. 1 attempts to illustrate the relationships and exchanges among these four categories of actors. Government contributes to SF by both providing capital and developing legislative frameworks that foster SF market development. SF, in turn, indirectly affect governments' legitimacy by financing projects that contribute to the deliver of important social services. Mainstream financial institutions and social investors invest in SFIs with the expectation of receiving a mix of financial and social returns, with the former focusing on financial outcomes and the latter preferring social impact generation. Finally, social ventures receive investments from SFIs for financing their projects that in turn generate social impact as well as financial returns.

In spite of growing academic literature on SF and its various forms, scholarly work is limited and still much need to be understood regarding the development pathway of social finance as a coherent field (Nicholls and Young, 2008; Battle Anderson and Dees, 2006). In particular, little research has investigated the way different actors have contributed to the structuration of SF as a self-standing field that may give rise to a potential new paradigm (Nicholls, 2010a,b; Nicholls and Young, 2008).

With the purpose of contributing to fill this gap, the paper explores isomorphism and diversity among a variety of European SF institutions. The aim is to increase understanding of how key institutional actors are shaping SF as a potential new paradigm in the financing and banking sector from structuration and institutional theory perspectives. The paper is organized in three main sections. The next section outlines the theoretical background that guided the exploration of structuration processes in SF as a potential new paradigm. The second section presents observations drawn from a sample of 17 SF institutions located in Ireland, Italy and the UK. The third section analyses the observations in light of the theoretical background, and presents insights into the structuration of SF as an active process where institutional entrepreneurs, influenced by key institutional actors, are shaping the field as a potential new paradigm. The main findings then present the rationale behind the dominant forms of “institutional entrepreneurship” (i.e. social impact investment and ethical banking). The paper concludes that dominant forms of SF arise from the interaction of legitimacy-seeking institutional entrepreneurs within established institutional structures as governments, international networks and foundations.

2. Theoretical background

2.1. Delineation of social finance

SF is a new phenomenon emerging from the convergence of five social and financial/economic trends; philanthrocapitalism (Bishop and Green, 2010), natural capitalism (Hawken et al., 2013), social capital (Adler and Kwon, 2002), blended value (Emerson, 2003), and social entrepreneurship (Martin and Osberg, 2007). SF refers both to the capital and the ethos (Nicholls and Pharoah, 2007, p.11)

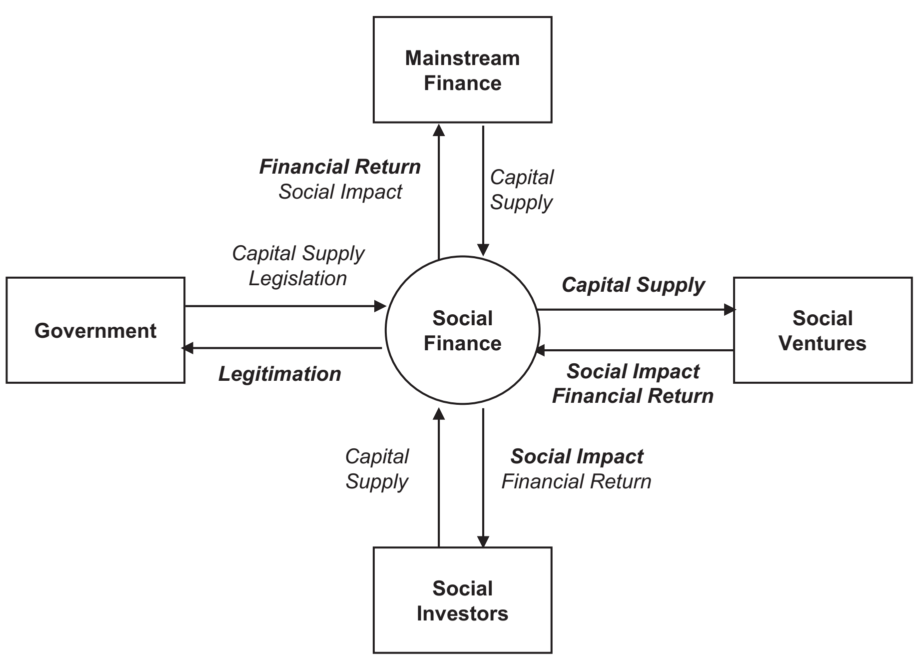

Fig. 1. Main Categories of Actors in social finance.

that flows into projects, initiatives and organizations which have a strategic focus in achieving positive social and/or environmental outcomes within any given normative social context (Nicholls, 2010a,b).

As an emerging field, SF has attracted interest from diverse disciplines. Some scholars have started conceptualizing SF drawing on mainstream financial investment management. By extending the language of the private sector and the logics of capital markets into third sector capital allocation mechanisms (Nicholls, 2010a,b), these scholars explain financial, social and environmental value generation by adopting the theoretical lenses of financial economics (Brandstetter and Lehner, 2015; Schinckus, 2015). Other scholars instead refer to the concept of "social economy" and draw on the "civic economy" tradition, where markets are not conceived as pricing mechanisms but rather as means to reveal value (Crespo, 2013). This perspective regards SF as a new independent field emerging from grassroots actions, where new organizations and infrastructures target the demand for social investment adopting new logics in allocating and managing financial capital (Cornée et al., 2015, 2012; Becchetti and Garcia, 2011; San-Jose et al., 2011). Other streams of literature focus on the nature and extent of demand (Nicholls and Pharoah, 2007; Emerson and Spitzer, 2007; Saltuk et al., 2014; Saltuk and Idrissi, 2015), the motivations of investors (McWade, 2012), the ethics of impact investment (Eadery, 2006; Buttle, 2007), the implications of philanthro-capitalism (Bishop and Green, 2010; Edwards, 2009).

2.2. Structuration of social finance

Although academic literature on Social Finance has been emerging over the last decade, the lack of coherent and well-defined epistemological and ontological structures has been limiting the proliferation of scholarly engagement in SF (Battle Anderson and Dees, 2006; Nicholls and Young, 2008; Nicholls and Cho, 2006; Moore et al., 2014). To date, attempts to conceptualize SF as a systemic field emerge from the work of Benedikter (2011), Geobey and Weber (2013), Emerson (2007; 2006; 2003), Moore et al., 2014, 2012) and Mulgan (2015, 2007) Nicholls et al. (2015; 2010a; 2010b; 2007) and Weber and Duan, 2012, Weber and Remer, 2011. Among these major contributions, the works of Nicholls (in the field of SF) and Moore (in the field of social innovation) appeared to be particularly suitable for guiding our analysis as they emphasise the importance to investigate structuration and institutionalization dynamics in SF in a first attempt to conceptualize this field.

Nicholls (2010a) conceptualizes SF as a socially constructed landscape determined by the interplay between different investment logics and investor rationalities. In terms of types of capital allocation logics for value creation and value appropriation in SF, Nicholls identifies three main approaches. The first is institutionally grounded and focuses on creating social impacts. The second stems from conventional finance and envisages financial returns to capital derived from investments in social assets. The third type, which is particular to SF, focuses on generating shared value, i.e. the creation of value for society by addressing its needs and challenges (Porter and Kramer, 2011). In terms of capital allocation rationalities, Nicholls distinguishes means-ends driven, value driven or systemic rationality according to the extent whether capital maximisation or personal values drive social investment. The intersection between investment logics and investor rationalities generates a matrix that systematizes SF into nine different models. We adopted the Nicholl's matrix as a theoretical framework for supporting our analysis since it legitimized our conceptualization of SF as a fragmented yet dynamic space where diverse social audiences coexist.

Besides the work of Nicholls, a second relevant contribution for our research of SF derives from social innovation research. In an attempt to establish an epistemological framework for the role and impact of SF, Moore et al. (2014) define SF both as a social innovation itself and as a vehicle for redirecting financial capital, thus providing new opportunities for social innovation to grow. The proposed theoretical perspective, which relies on Gidden's structuration theory (2013), recognizes SF as an innovation in the structures of signification, domination and legitimation, in the rules and in the relationships that govern capital flows in the broader system. As a natural next step, we are thus encouraged to investigate domination, signification and legitimation structures within our analysis.

2.3. Drivers of structuration in social finance

Assuming structuration as the result of both structure and agency (Giddens, 2013), that lead organizations to draw to extra-organizational institutional structures while at the same time producing and reproducing institutional structures through their actions, our research requires understanding to what extent structuration in SF is derived from agency-driven disruptive dynamics or, on the contrary, from an adaptive structuration towards institutional forms that are firmly rooted in normative rules, beliefs and routines (DiMaggio and Powell, 1983; Dowling and Pfeffer, 1975; Powell and DiMaggio, 2012). Agency is defined as "the capacity of individuals and organizations to do otherwise: to follow one system of practices and to refuse another" (Whittington, 2010, p.147) whereas structure refers to the rules and resources that provide enduring and general principles to a given system ordering (Whittington, 2010).

According to neo-institutional theory, several pressures lead to structuration among individual organizations operating within a specific institutional field (Meyer and Rowan, 1977; Zimmerman and Zeitz, 2002; Deephouse and Suchman, 2008). Since organizations compete not just for resources and customers, but for political power and institutional legitimacy, the search for social fitness induces isomorphism. This is defined as "a constraining process that forces one unit in a population to resemble the other units that face the same set of environmental conditions" (DiMaggio and Powell, 1983). Driving forces come from coercive isomorphism, which stems from political influence and legitimacy pressures; mimetic isomorphism, which refers to the tendency of organizations to imitate other organizational models perceived as successful and legitimated; and finally from normative isomorphism, which stems primarily from the collective struggle of members of an occupation to define the conditions and methods of their work, to control the "production of producers" and to establish a cognitive base and legitimation for their occupational autonomy. In the field of social entrepreneurship, Nicholls (2010b) also highlights a "reflexive isomorphism", which is defined as "a type of isomorphic pressure which privileges agency over structure by suggesting that dominant organizations can shape the legitimacy of an emergent field to reflect their own institutional concepts".

Conversely from neo-institutional theory, a second stream of institutional theory explains legitimation as an active structuration process. Based on Suchman (1995), and considering that in SF large incumbents are not leading the transition (Pérez and Del Bosque, 2012), new ventures face two main challenges. First, as new ventures are poorly institutionalized, they need a lot of field building, i.e. creating objectivity and exteriority, a sense that a field exists independently of a particular incumbent organization. Second, new ventures need to create new alliances among constituents and attract the support of pre-existing legitimized entities. New ventures searching for legitimation can either conform to preexisting audiences by manipulating the new venture's own structure so as to fit within pre-existing institutional structures, or search of an audience that is supportive of the current organizational practices, or alternatively manipulate environmental structure by creating new audiences and new legitimizing beliefs. This is typical of disruptive "institutional entrepreneurs" (Eisenstadt, 1980), who act as catalysts for structural change and who provide an impetus for structuration by promoting "interests that they value highly". These actors often tend to form alliances with other new ventures operating in the same field, since collective success helps in achieving cognitive legitimacy through popularization and/or standardization (Aldrich and Fiol, 1994). Institutional entrepreneurs drive structural change also by mobilizing strategic tangible (financial) and intangible (authority, power relationships, and social capital) resources, and by constructing appropriate narratives capable of providing new ventures with legitimized identities (Leca et al., 2008; Greenwood et al., 2002; Lounsbury and Glynn, 2001). The search for such dynamics in the SF landscape is fundamental to understand its structuration and evolution.

2.4. Paradigmatic potential of social finance

SF presents a considerable diversity in approaches and types of action with the same purpose as well as diverse processes thorough which structuration has been emerging. This means that it has yet to develop a unique normative narrative for grounding its structuration (Nicholls, 2014), while at the same time it shows emerging trends in terms of key actors, discourses and prevailing logics which may signal the development of a new structure or paradigm (DiMaggio and Powell, 1983; Kuhn, 1962). According to Khun, a pre-paradigmatic stage is indeed characterized by a multiplicity of approaches and debates over legitimate methods, problems, and standards (Kuhn, 1962) that will eventually consolidate into a systematic set of concepts, values, perceptions and practices shared by the specific community in which it arises (Capra, 1996; Kuhn, 1962). In the structuration of a new paradigm, emerging approaches are characterized both by superior ability in solving problems related to anomalies undermining the previous paradigm, and by stronger capacity in gaining consensus and legitimacy within the community. The dimension of "consensus" seems to characterize structuration as an institutionalization process that occurs within a social space defined by structures of domination (i.e. authority and power relationships), signification (i.e. socially constructed meanings and discourses) and legitimation driven by beliefs, norms and values (Nicholls, 2010a,b; Giddens, 2013). This means that new paradigms are determined not only by their intrinsic problem-solving ability but also by the perceptions of dominant institutional actors within well-defined institutional and social structures. This offers useful lenses to assess the paradigm-building potential of SF.

These considerations led us to formulate the research objectives as:

(1) Which are the types of structuration processes occurring in Social Finance?
(2) Which actors are leading the structuration process in SF?
(3) Can Social Finance be considered as a pre-paradigmatic field?

3. Research method

This study explored SF through an in-depth investigation of activities, tools and strategies of sectorial SFIs.

Due to the exploratory nature of the research, a case study design (Yin, 2008) was chosen to frame possible pathways to the structuration of SF. A case study approach was considered appropriate for three main reasons. First, SF constitutes a fluid social space characterized by overlapping institutionalization dynamics and rationales. Such dynamic forces are best analysed through use of inductive approaches by which underlying motivations and logics are identified and disentangled (Greenwood and Suddaby, 2006). Second, SF still lacks clear epistemological and ontological boundaries and therefore requires to be investigated through a method that allows flexibility in combining existing theoretical knowledge with new empirical insights (Yin, 2008). Finally, a primary objective of this study was to contribute to "theory-building" in SF, a process that requires enlarging the perspectives through which the phenomenon has been previously analysed (Vissak, 2010).

3.1. Sampling

Focusing on SF landscape in Europe, a theoretical sampling approach was used in the delineation of exemplary Social Finance Institutions (Eisenstadt, 1980). The theoretical sampling was based on the mapping of SF markets in Europe conducted by GHK (Spiess-Knafl and Jansen, 2013; GHK, 2017), and on the literature review performed to support the research. From the list, we identified a list of exemplar SFIs in France, Germany, Italy, Ireland and the UK that were responding to our requirements of representing leading organizations operating in different sectors and with different approaches. Although we recognized the relevance of France and Germany for a comprehensive analysis of SF in Europe, we decided to focus on Italy, Ireland and the UK. Our choice was determined by two considerations. First, we decided to include in our sample large and minor SFIs from countries with a SF market at different stages of development, i.e. the UK with a mature SF market; Italy with a developing SF market; Ireland with a nascent SF market. Second, we considered the feasibility of the research in terms of the resource costs of money and time, and in terms of linguistic and communication skills that enabled us to relate to informants and their experiences. We adopted feasibility of the sampling plan as main selection criteria of exemplar SFIs as it is considered critical in ensuring accessibility to relevant and rich information until saturation is reached (Miles and Huberman, 1994). Relying on these considerations, an original sample of 55 SFIs (i.e. 29 in the UK; 8 in Ireland; 18 in Italy) was drawn for supporting our research. Among the targeted SFIs, 17 institutions (i.e. 4 in the UK, 6 in Ireland, and 7 in Italy) agreed to participate in the interview process (Table 1). It is important to notice that the sample should not be considered representative of the entire SFI population, but exemplar in the way it covers different forms of SF.

The significance of Big Society Capital, Bridges Ventures, Social Finance UK and Triodos Bank for governmental strategies is confirmed in the report 'Growing the social investment market: a vision and a strategy' by the UK Government. Banca Popolare Etica, Banca Prossima, CoopFond, Consorzio Etimos have clear links with central institutions, while Microcredito di Solidarietà, Oltre Venture and Prestiamoci reflect a more bottom-up and socially embedded dynamism. Clann Credo, Diageo Ireland (CSR), Philanthropy Ireland, Social Enterpreneurs Ireland, Social Finance Foundation and Ulster Community IT cover most of the projects in Ireland, a dynamic environment with influences from both Anglo-Saxon market structures and the Catholic tradition in civic life. All these SFIs provided sufficient information on the multiplicity of discourses, fluidity of structures and emergence of dominant structures.

Table 1
List of Social Finance Institutions (SFIs) and Interviewees

SFI	Country	Description of SFI	Position of the Interviewee
Banca Popolare Etica	Italy	The first institution of ethical banking in Italy	- Head of Cultural Relations
Banca Prossima	Italy	The social bank of the Italian leading banking group Intesa San Paolo	- Innovation Manager - Head of Investments
Big Society Capital	UK	The world's first SFI bank	- Investment Director
Bridges Ventures	UK	A specialist fund manager dedicated to sustainable and impact investments	- Advisor
Clann Credo	Ireland	A leading Irish Social Investment Fund proving affordable loan finance to communities, voluntary and charitable organizations, community businesses and social enterprises	- CEO
CoopFond	Italy	A mutual fund composed of annual profits generated by the cooperatives within Legacoop (National Cooperative of Cooperatives and Mutual Aid Associations), and by the residual assets of cooperatives in liquidation	- CEO (Direttore Generale)
Consorzio Etimos	Italy	An international cooperative consortium specialised in providing capital to microfinance institutions and organizations promoting micro-entrepreneurship in developing countries	- CEO (Direttore Operativo)
Diageo Ireland	Ireland	A corporation adhering to the Corporate Social Responsibility Project in SF	- Head of CSR
Microcredito di Solidarietà	Italy	The largest microcredit institution operating in Italy	- CEO (Direttore Generale)
Oltre Venture	Italy	The first Italian institution of venture philanthropy	- Advisor
Philanthropy Ireland	Ireland	The Association of independent philanthropic organizations in Ireland	- Executive Director - Membership & Information Manager
Prestiamoci	Italy	The first virtual community of social lending in Italy	- Founder & CEO
Social Entrepreneurs Ireland	Ireland	A non-profit organization that provides funding and support for social entrepreneurs	- Co-founder & CEO
Social Finance UK	UK	Non profit organization that supports the UK Government in developing its strategy for the creation of a social finance market in the UK	- Marketing Manager
Social Finance Foundation	Ireland	A non profit organization that partners with the Irish government, the social sector and the financial community to provide a range of financial advisory services helping to build the SF market in Ireland	- CEO
Triodos Bank	UK	A global pioneer of ethical banking	- Resourcing Manager
Ulster Community Investment Fund	Ireland	A non-profit organization operating as a provider of SF, free advice, and business support and mentoring to the third sector	- Associate Director

3.2. Data collection and analysis

Data were collected between April and October 2014 primarily from semi-structured interviews and public documentation available on the web or directly provided by the organizations. Corporate disclosures were particularly relevant in UK, where SFIs generally privilege official releases over other external communication channels. The grey literature and opinions from sectorial experts completed information on the nature and scope of interactions between SFIs, as well as of support and engagement with institutional actors.

The interview protocol was “semi-structured” in that interviewees were asked to complete a questionnaire (see Appendix 1) and were then asked additional questions related to specific features of the institutions or topics that emerged as a result of the discussion. Given the nature of the research, after an introduction on its aim and scope, interviewees were not required to stay within the standard questionnaire but were free to explore alternative directions. The semi-structured protocol over time was thus integrated with new insights from previous interviews and by expanding the original questionnaire.

The purpose of each interview was to identify the nature of products and services, investment criteria, communication strategies, strategies for social value creation and appropriation, and links with other SFIs as well as with other institutional actors. Each interview lasted between 45 and 90 min. The initial interviewees were contacted by the authors through the institution's website. After each interview, the list of interviewees was expanded through interviewee referrals, which in some cases were contacted in order to gain additional information on specific points. Interviewees ranged from executive directors, investment directors, CSR managers, to marketing managers, sometimes coupled with external consultants, depending on their level of knowledge of the topics. Interviews were conducted at the SFI's head office but some follow-up interviews were conducted by telephone. In some cases, clarifications on particular aspects were made via email. All interviews were recorded and subsequently transcribed. Each interview was triangulated with documentation provided by the organization or collected via web-research on the organization's web-site or from other secondary sources (mainly national newspapers and government websites). The data saturation criterion was adopted to finish data collection.

Data were analysed with the aim of finding prevailing narratives and common linkages with institutional actors. While conducting the initial review of the interviews, authors found recurring patterns in the discourses, languages and narratives, which were used to preliminarily organize the data (e.g. social value creation, social return, financial return, quasi-equity, etc.).

In order to ensure objectivity and replicability of the research, the analysis of data was supported by NVivo software. All the data and material collected were stored in NVivo and subsequently organized into categories. Fig. 2 depicts the final data structure and provides examples of the first-order constructs representing the labels we adopted to represent the data.

We started the data analysis by using relevant sentences as coding units (see “First Order Concepts”). This first step in the analytical process consisted in identifying the specific investment logics and investor rationalities characterizing the selected SFIs as defined by Nicholls (2010a,b), the instruments and approaches adopted, the nature and extent of relationships with internal and external stakeholders. This was done through iterative interpretations and discussions between the authors aimed at attributing agreed codes to discourses and narratives emerging from missions, value statements, exemplary stories and exemplary annual social reports. (Corley and Gioia, 2004). For example, discourses and narratives were categorized and coded as: “we

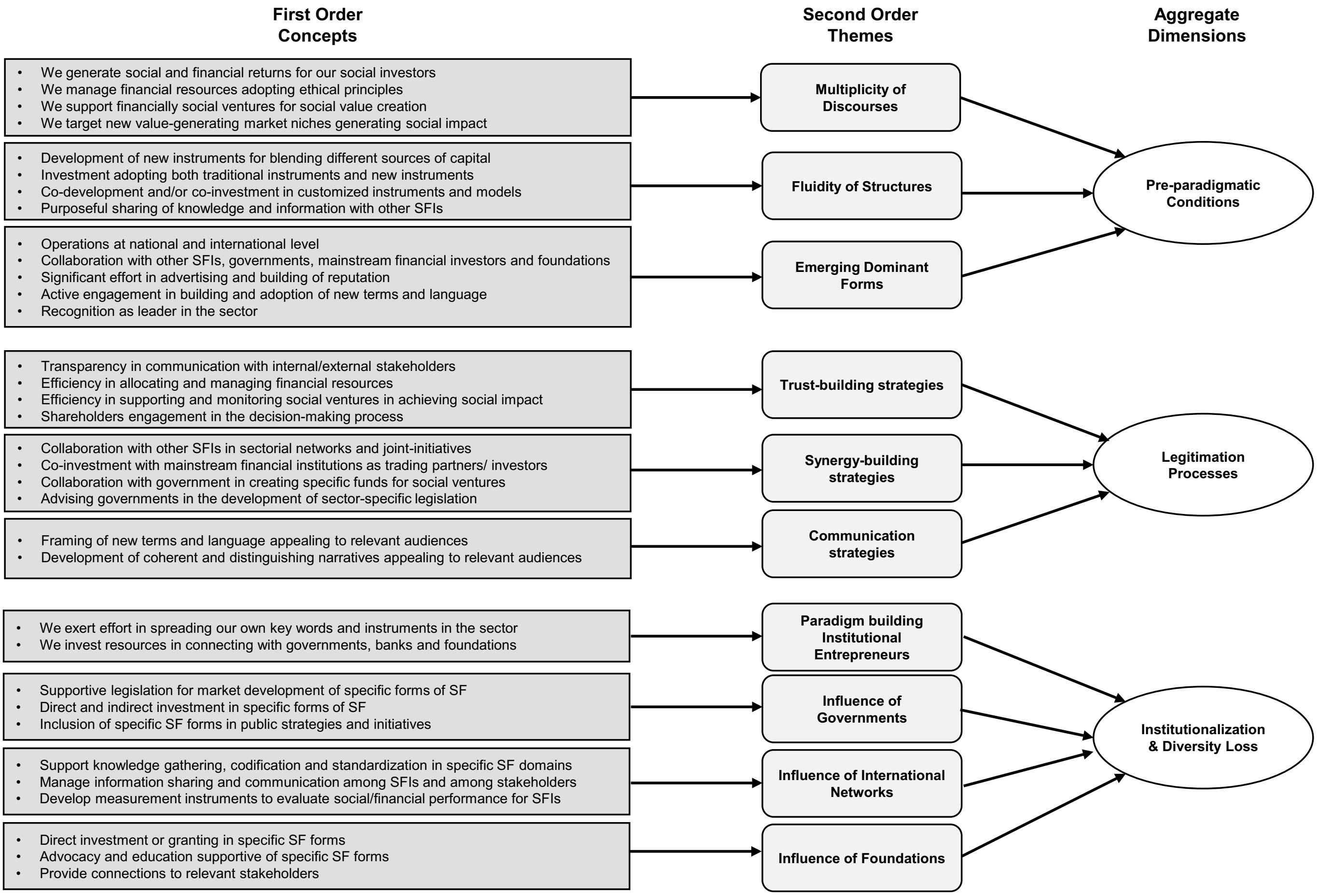

Fig. 2. Coding structure.

generate social and financial returns for our social investors", denoting means-end driven investor rationality and prevalence of financial investment logics; "we manage financial resources adopting ethical principles", to label blended investor rationality and blended investment logic; "we support financially social ventures for social value creation", expressing value-driven investor rationality and social investment logic.

This first step of the analysis resulted in the location of each SFIs in a specific area of the social landscape, as defined by Nicholls (Table 2). Some SFIs clearly fall into Social Impact Investment (SII) and Ethical Banking (EB) (see details in Findings). A third category was labelled as Undefined (UD) to define SFIs that show signs of convergence towards neither SII nor EB.

Having analysed SFIs as single entities located in particular areas of the SF landscape, the second part of the analysis focused on the network dynamics among SFIs and key institutional actors in the institutionalization process. First-order constructs were developed to summarize with descriptive sentences the nature and scope of relationships with other SFIs, governmental agencies, mainstream financial institutions, national and international networks, and foundations. For example, "collaboration with other SFIs in sectorial networks and joint initiatives" was coded to clusters similar information related to cross-reference to other SFIs, such as "working in synergy with other organisations involved with ethical banking to promote the development of the sector" (EB3) or "working in collaboration with a range of impact investment intermediaries in

Table 2
SFIs positioned in the Nicholl's Matrix.

Investment rationalities	Means-end-driven	Prestioamoci (UD1)	Bridges Ventures (SII3) Social finance UK (SII4)	Oltre Venture (SII6)
	Systemic	Banca Prossima (SII1) Big Society Capital (SII2)	Clann Credo (SII5) Consorzio Etimos (EB1) Ulster Community Investment Trust (EB2)	Social Finance Foundation (SII7)
	Value driven	Diageo Ireland CSR (UD2) Social Entrepreneurs Ireland (UD3)	Banca Popolare Etica (EB3) Coopfond (EB4) Microcredito di Solidarietà (EB5) Triodos Bank (EB6)	Philanthropy Ireland (UD4)
Investment logics	Financial Blended Social	NB: Companies classified as SII1-SS7 are pooled as "Social Impact Investment"; Companies classified as EB1-EB6 are pooled as "Ethical Banks"; Companies classified as UD1-UD4 are pooled as "Undefined"		

different countries to support the development of locally based financing programmes" (SII4).

We continued the analysis by identifying common conceptual patterns among first-order constructs, which allowed us to group data in second-order themes, represented in the middle of Fig. 2. In some cases, labels grounded in academic literature, which relate to institutional theory ("trust-building strategies", "synergy-building strategy", "communication strategies"), captured some of our second-order themes. In other cases, we created new labels to better synthetize the conceptual content. For example, the labels "multiplicity of discourses" and "fluidity of structures" were coded with the purpose of recalling the Khunian characterization of pre-paradigms as "a multiplicity of approaches and debates over legitimate methods, problems, and standards" (Kuhn, 1962). We proceeded our analysis by aggregating the 10 s-order themes in three aggregated dimensions, represented in the right side of Fig. 2, which were labelled as 1) pre-paradigmatic conditions 2) legitimation processes 3) institutionalization and diversity loss.

4. Findings

With reference to the research objectives *(1)* three typical characteristics of a pre-paradigmatic field emerged from the analysis: a multiplicity of discourses and narratives regarding SF; fluidity of structures in the search for mutual exchanges of tools, instruments and approaches; emergence of dominant structures in terms of leading discourses, forms and narratives pushed forward by identified institutional entrepreneurs. With reference to research objective *(2)*, structuration stems from how SF institutional entrepreneurs are deliberately implementing trust-building, synergy-building and communication strategies with key institutional actors to legitimate this new field of business by mobilizing strategic tangible and intangible resources so to construct appropriate forms and narratives that fit with existing institutional structures. With regard to research objective (3), structuration results in the prevalence of dominant forms over peripheral forms in shaping SF according to logics, values and norms of both institutional entrepreneurs and key institutional actors. The structuration process is leading to a progressive isomorphism among SFIs, which however may contribute to reinforce the development of coherent epistemological and ontological boundaries leading to the emergence of a new paradigm.

4.1. SF as a pre-paradigm

4.1.1. Multiplicity of discourses and narratives

In SF, there is a relevant diversity in discourses, narratives and structures. This reflects the multiplicity of investor logics and rationalities underpinning each specific organization. Organizations such as Consorzio Etimos (EB1), Microcredito di Solidarietà (EB5) and Ulster Community Investment Trust (EB2) focus on community development and solidarity, highlighting the priority of SF in achieving social impacts. Recurrent words included "*poverty*", "*inequality*", "*primary rights*" and "*disadvantaged communities*". Organizations such as Banca Etica (EB3), Banca Prossima (SII1) and Triodos Bank (EB6) focus on the importance of introducing ethical values into conventional financial approaches to make them more "human centric", thus capable of financing the development of social-value-generating initiatives in the third sector. Recurrent words included "*transparency*", "*ethical values*" and "*social responsibility*". Social Impact Investment (SII) organizations, such as Big Society Capital (SII2), Bridges Ventures (SII3) Social Finance UK (SII4) and Clann Credo (SII5) focus on SF as a new value-generating market niche, capable of leading to social impact while generating financial return. Recurrent words included "*sustainability*", "*social impact*" and "*financial viability*" (of social investments).

However, among the diversity of discourses a few key concepts appear repeatedly and represent the key paradigmatic language and unitary narrative. These are: social value creation, affordable and sustainable finance and transparent resource management. These findings are aligned with current SF literature (Cornée and Szafarz, 2014; San-Jose et al., 2011; Becchetti and Garcia, 2008) that identifies placement of assets with the primary aim of supporting social action, economic sustainability, information transparency and participation between investors, intermediaries and borrowers as the main criteria for differentiating social financing from commercial financing. Formal and functional similarities in these concepts represent initial signs of the convergence on shared epistemological boundaries, which is a fundamental step for paradigm building.

4.1.2. Fluidity of structures

The fluidity of structures is mainly related to the direct and indirect exchange and sharing of resources, instruments and knowledge.

The first source of fluidity is conceptualized as the "flow of instruments", i.e. the imitation and adoption of successful innovative tools among SFIs which range from social landing platforms and nominal interest rate bonds (e.g. in Banca Prossima-SII1), impact bonds (e.g. in Bridges Ventures-SII3, Big Society Capital-SII2 and Triodos Bank-EB6), quasi-equity investments (i.e. debt that has some equity traits, such as flexible repayment options or unsecured) (e.g. in Bridges Ventures-SII3), as well as different forms of hybridization with traditional financial tools. Most of the analysed SFIs have designed more than one innovative tool.

The second source of fluidity is conceptualized as "flows of knowledge", i.e. the sharing of knowledge and information among SFIs both directly and indirectly. Direct flows of knowledge through formal networks (e.g. Global Alliance for Banking on Values, European Venture Philanthropy Association and Social Impact Investment Taskforce) and informal exchanges (e.g. meetings and conferences) indicate the collective efforts of SFI to create a common knowledge-base by sharing practices, perspectives and approaches on their activities (e.g. see the widespread adoption of IRIS tool developed by the Global Impact Investment). Indirect flows of information (e.g. general corporate disclosure) reflect the commitment of most SFIs to make their documents, annual reports and social reports available so to accurately inform the wider public regarding their activities and operations in conformity to the principles of transparency and community engagement.

These flows and exchanges prove that SFOs are interacting, sharing knowledge and observing each other, and −de facto− are undertaking a process of mimetic isomorphism where "leading models", successful in attracting tangible and intangible resource by key institutional actors, are imitated by SFIs in order to gain legitimacy. This process of identity and field building underpins the development of coherent paradigmatic language, methods and instruments.

4.1.3. Emergence of dominant forms

The analysis of discourses reveals a sharp distinction between "central" and "peripheral" SFIs. Central SFIs (e.g. Banca Etica-EB3, Banca Prossima-SII1, Big Society Capital-SII2, Social Finance UK-SII4, Triodos Bank-EB6) are characterized by wide connections both with other SFIs and with institutional actors such as governments, private sector and foundations, which gives them a higher amount of tangible and intangible resources than peripheral SFIs. Central SFIs are visibly active in spreading their discourses, values and models at the inter-sector and institutional levels. In contrast, "peripheral" SFIs are more focused on individual projects. The range of their operations tends to be narrow, the extent of connections with other SFIs is relatively limited and they are scarcely involved in promoting new narratives and language.

Among central SFIs, two forms of SF emerged as "dominant" for the strength of their connections, the resonance of their discourses and narratives, and the emulation of their models and tools among peripheral SFIs. These are Social Impact Investing (SII) and Ethical Banking (EB), as acknowledged by the same peripheral SFIs. Clann Credo (SII5) states "*Social impact investment is a really important development as it will help our work to ensure efficient credit allocation*", while Social Finance Foundation (SII7) and Bridges Ventures (SII3) integrated SII in their portfolio, recognizing the model to be suitable for their mission. Conversely from SII, EB proves its centrality by the number of partnerships established to co-finance projects and initiatives with other SFIs as well as with relevant institutional actors operating in the third sector (see, as an example, Garanzie Sociali, which is a joint initiative between Banca Etica-EB3 and Consorzio Etimos-EB1).

The key difference between SII and EB lays in the rationality and logics for allocating and managing investment. SII focuses on seeking long-term sustainable social impact by applying business acumen and seeking financial returns (Banca Prossima-SII1, Big Society Capital-SII2, Social Finance UK-SII4). EB focuses on injecting ethical values into financial activities by adopting ethical principles in financing social initiatives for generating "fair" financial returns (Banca Etica-EB3, Microcredito di Solidarietà EB5).

From a geographical perspective, SII seems to reflect the institutional structures of the UK, where the liberal norms and values prevails, whereas EB seems to mirror the institutional structures of Italy, where the norms and values related to the cooperative movement and the "civic economy" are influential. Institutional structures refer to political, cultural and social dimensions, which have been recognized as particularly relevant in determining legitimacy of new fields. As an example, mission statements clearly reveal financial orientation in Big Society Capital (e.g. "*attracting greater and more diverse sources of investment*", "*provide effective financial and business* support *services to the social sector*") and "civic economy" traits in Banca Etica (e.g. "*creating a place where savers, driven by the common desire for a more transparent and responsible management of financial resources, may meet socio-economic initiatives*"). Due to their active effort and leading role in promoting and shaping SF, central SFIs in SII and EB can be acknowledged as institutional entrepreneurs in the process of institutionalization of Social Finance. The results that support the conceptualization of institutional entrepreneurs in SF will be presented in sub-section 3.

5. Structuration process

5.1. Trust-building strategies

Institutional entrepreneurs create legitimacy and thus contribute to field structuration first by putting in place strategies based on transparency, efficient placement of assets and stakeholder engagement with the purpose of building trust relationships with relevant stakeholders.

Transparency in communication and in the management of relationships with internal and external stakeholders is central for almost all the SFIs. For example, Big Society Capital (SII2) states "*Given the non-quantitative nature of many of the aspects of social impact, it is especially important for us to be transparent about how results are being used, and on what basis calculations are being made or aggregates being created*". Transparency is mainly achieved by publishing in a reader-friendly format all relevant documents on the organizations' websites, by sending regular newsletters to associates and customers, and by publishing reports on the organization's activities.

The efficient placement and management of assets entails the development of investment and financing models that ensure the optimal allocation of funds for achieving the desired social impact, while ensuring capital preservation and investors' financial return. As reported by Banca Etica (EB3), "*Efficiency is a fundamental component of the bank's ethical commitment*". Efficiency is achieved first by tailoring financing products to the needs and characteristics of social ventures leveraging on specific knowledge and expertise of both internal and external stakeholders in the third sector. One example is represented by social impact bonds for vulnerable subjects developed by Social Finance UK (SII4), which aim to "*use the best resources and expertise each stakeholder can offer to improve the quality and efficiency of social programmes and maximize social impact*". Secondly, efficiency in placing assets is achieved by designing ad-hoc procedures for assessing beneficiaries' creditworthiness. For example, Ulster Community Investment Trust (EB2) has developed a modular risk assessment framework that includes qualitative measures such as "*extent of community ties*" and "*relevance of social ventures' activities within the community*". Finally, constant monitoring of operations through direct and personal relationships with customers, which at the same time further enhances trust building, ensures the efficient management of investments. Microcredito di Solidarietà (EB5) states that monitoring is crucial for the success both of the organization and of their customers: "*Monitoring our customers ensures not only the proper use of investment but also enables to* support *them in managing effectively the investment for achieving the desired social impact. Customers appreciate our* support *and tend to ask for further consulting*".

Curiously, the approach to and purpose of stakeholder engagement differs among SFIs. SII tends to include the government as a major stakeholder with the purpose of enhancing field growth by facilitating connections with other stakeholders, from banks to private sector investors, which invest in SII aiming at promoting CSR while accruing financial return. Engagement approaches include strategic framing and decision-making processes that reflect traditional financial criteria and appear more suitable in both managing capital and appealing to the target audiences, as in the case of Big Society Capital (SII2). Differently, EB promotes stakeholder engagement strategies that are more horizontal across stakeholders and aim at spreading awareness regarding ethical values in financing and investing activities while fostering cooperation among actors in supporting the creation of social impact. "*Public institutions, private enterprises and third sector organizations need to co-act in order to* support *social and economic development of communities*" as reported by Banca Etica (EB4). Stakeholders engagement approaches in EB include the periodic organization of shareholders' meetings, regional events of associates and national conferences. Besides fostering awareness on ethical values, these strategies aim at including stakeholders (e.g. a commercial bank, public institutions and civil society institutions) in identifying relevant social issues to tackle by investing in dedicated social projects (Banca Etica-E4, Coopfond-EB4, Microcredito di Solidarietà-EB5, Triodos Bank-EB5).

5.2. Synergy-building strategies

Data show that legitimacy is largely achieved through cumulative success at organizational and inter-organizational levels by means of collective strategies.

Collaboration with other SFIs is achieved by co-financing common initiatives and projects, by directly providing capital to other SFIs, by developing social-finance networks, by promoting joint events and by designing shared guidelines for managing investment in social projects. For example, Big Society Capital (SII2) provides support and guidelines for third sector organizations to develop attractive business plans for social investors. Similarly, Banca Etica (EB3) explains "*the strengthening of social finance can be achieved only through collaboration and participation within national and international networks by institutions aimed at promoting the principles of ethical banking, sustainability and centrality of human beings*".

Institutional entrepreneurs and most SFIs also recognize the potential benefits of collaborating with conventional financial institutions, which represent important capital providers as well as commercial and trading partners. Although "*All these relationships allow us to operate in a practical and effective way, in different sectors of the civil economy, acting as a meeting point for individuals and organization*" (Banca Etica-EB3), this sign of the increasing interest of conventional financial institutions in SF (e.g. mainstream financial institutions provide financial support to Big Society Capital-SII2 and Banca Etica-EB3 and a knowledge base to Banca Prossima-SII1 and Microcredito di Solidarità-EB5) reveals a trade off. On the one hand, SF is beginning to be conceived as a potentially profitable business opportunity and, on the other, there is the risk of a potential absorption of SF into mainstream financial markets. This latter occurrence would represent the failure of institutional entrepreneurs to establish SF as a new paradigm. Risks are especially recognized in the field of SII, which has already attracted the interest of, for example, J.P. Morgan Social Finance initiatives and Deutsche Bank's Microfinance and Social Impact Investment Funds. In EB on the other hand, the risk is mitigated by strong influences from a different cultural and cognitive framework, which implies a clear distinction of roles and a strong commitment to the ethical mission.

Differently from EB, SII are more complementary than alternative to the social initiatives of governments and, de facto, build more collaborations with government departments and agencies, which have an important paradigm-building role. For example, the Social Impact Investment Taskforce recognizes that "*all of the countries on the Taskforce face growing pressure, in a context of fiscal restraint, to allocate government spending more efficiently and effectively to social needs*". The beneficiaries of these collaborations are social issues and social enterprises that are particularly relevant at a country-level, as well as initiatives that are supposed to tackle critical social issues in an efficient way, if properly funded and supported. Collaborations with the government result in the creation of the following: specific funds for social enterprises and SFIs such as the Social Finance Foundation (SII7) and Social Entrepreneurs (UD3); the design of proper institutions that enhance the development of the impact investment market as Big Society Capital (SII2) and Social Finance UK (SII4); legislation and reforms that support field development such as the Finance Act 2014 introducing the social investment tax relief in the UK (Cabinet Office, 2014); communities for knowledge and information sharing, and the pooling of resources such as the Social Impact Investment Taskforce launched under the UK's presidency of the G8 in 2013. In the case of EB, lobbying and advising are the main relations with governments. However, there do not appear to be peer-to-peer collaborations.

5.3. Communication strategies

The idea of penetrating the cognitive framework of relevant audiences (i.e. investors with different investment rationalities) by providing a linguistic connection that links the social and financial realms into a coherent system focused on the concept of SF clearly emerges from the vocabulary developed by SII. "Social impact bond", "quasi-equity", "social impact investment market", and "social finance" all fall within the cognitive structures of audiences in the financial and banking sector, thus leading to perceptions of comprehension and reliability that enhance legitimation from relevant institutional actors in this industry. The adoption of "financial" language and concepts in social investing is evident in the description of social impact bonds defined by Social Finance UK (SII4) as "*a financial mechanism in which investors pay for a set of interventions to improve a social outcome that is of social and/or financial interest to a government commissioner. SIBs generates important savings for the public sector while delivering measurable results on a mid-range term*". Similarly, in EB communication strategies search to appeal to institutional actors that share the principles related to the social economy. The use of words such as "values", "responsibility", "community", "cooperatives", and "reciprocity" targets "ethically-minded" audiences that are keen on actively supporting and legitimizing the development of alternative discourses to conventional financial approaches. The intention to appeal to "ethically-minded" investors through communication strategies is exemplified by Banca Etica (EB3) that describes its activities as "granting *financing to organisations operating within the third sector which carry out civilly oriented economic projects […] with the purpose of redistributing investment returns in activities oriented towards common well-being*".

Narratives, too, highlight the current pre-paradigmatic status of SF. Narratives consist in general discourses through which institutional entrepreneurs communicate with relevant stakeholders and weave language, concepts and values into evocative images that strongly appeal to their intended audiences. Again, within a heterogeneous framework, the most powerful narratives are those promoted by institutional entrepreneurs in SII and EB. SII harnesses "*entrepreneurship, innovation and capital to power social improvement*" (Oltre Venture, SII6) and pictures itself as a "*force capable of driving this revolution*" (Clann Credo-SII5) through directly targeting governments, which "*play a number of important enabling roles*" (Big Society Capital-SII2). EB reveals a more bottom-up approach to leading "*a network of actors comprising social enterprises, local organizations, and citizens*" (Triodos Bank-EB6) towards the same paradigmatic evolution. Such narratives stress the responsibility of civil society in bringing about change by their commitment to ethical values and alternative consumption styles.

6. Agency in the structuration process of SF

6.1. Emerging dominant SFIs as institutional entrepreneurs

Our analysis shows that "dominant" SFIs foster field structuration through "sub-field structuration" and "reflexive isomorphism", which qualify these actors as institutional entrepreneurs.

Sub-field structuration refers to the institutionalization of SF sub-categories that are characterized by expanding sub-markets (e.g. microfinance organizations, where mimetic isomorphism is quite frequent), by dependency relationships with mother institutions (e.g. Banca Prossima-SII1, which integrates norms and routines from the Italian bank Intesa San Paolo), by belonging to international sub-field networks or by replicating the structures of dominant actors (e.g. formal communities of best practice sharing, such as the European Venture Philanthropy Association). This often results in the increasing tendency of SFIs to mould SF's narratives and tools, even more than practices, with those from organizations that are dominant due both to the amount of resources channelled and the propagation of discourses. For example, Clann Credo and Ulster Community Investment Trust promote themselves as SFIs that adopt social impact investment as one of their main investment models, even though in practice they operate much more as community development institutions with project assessment processes that do not follow standardized and replicable procedures.

The second instance of agency-driven structuration in SF, i.e. structuration determined by the actions and choices of individual SFI through the following or rejection of rules characterizing institutionalized structures (Whittington, 2010), is reflexive isomorphism. Through reflexive isomorphism, entrepreneurs engage in legitimation processes with the purpose of aligning sector-level and internal logics to structure SF as a closed-system of self-legitimation. For example, Social Finance UK (SII4) says "*We partner with government, social sector and the financial community to find better solutions to society's most difficult problems*" and "*Interest in our work has spread to many countries as we pioneer Social Impact Bonds and other impact investment applications in a range of social areas*." This is the case of SII, which includes a number of distinct SFIs in order to reach the scale and size needed to gain legitimizing power and to institutionalize the field according to its core values and models.

6.2. Paradigm building institutional actors

Three groups of actors which influence paradigm-building institutional entrepreneurs emerge in the SF landscape: governments, which have been active in supporting SF (e.g. "Growing the Social Impact Market" strategy in UK, the Social Impact Investing Advisory Board in Ireland); network organizations (e.g. Global Impact Investing Network for SII, Global Alliance for Banking on Values for EB), which facilitate the standardization of language, tools and approaches among SFIs by "*providing platforms dedicated to increasing the scale and effectiveness of SII by connecting peers and mediating information and knowledge sharing*" (Clann Credo-SII5); foundations (e.g. Cariplo Foundation, Rockefeller Foundation), which are explicitly committed to developing the field both "*by investing capital and by developing joint projects and initiatives*" (Banca Etica-EB3). These paradigm-building actors are complementary to institutional entrepreneurs in establishing discourses, narratives and structures that characterize the structuration of SF as a new paradigm. By influencing legitimacy-seeking institutional entrepreneurs in conforming new languages, tools and narratives to their own preferences, institutional actors contribute to coercive isomorphic change in SF. This is evident in Social Finance UK, where investment is allocated in social enterprises that "*are more in line with government's public policies*".

Comparing communications on public strategies and initiatives, the government's role as a paradigm builder is particularly evident in the UK, where it provides capacity building support for third sector organizations providing public goods. According to the GFK (2014) report, "*in the last few years a range of public* funding *schemes, initiatives and policies have been put in place to aid the supply of investment to the UK social enterprise sector, with the purpose of 'growing the social investment market' and helping to ensure 'investment readiness' among social enterprises*". The government's role in paradigm building is less evident in Italy, where it is not directly involved in the SF market but indirectly contributes to shaping demands with legislation and regulations aimed at strengthening the third sector and especially cooperativism. As reported by GFK (2014) "*The response to the need for social finance in Italy comes from experiences developed within the social cooperatives sector: for example, the CFI cooperative ('Cooperazione Finanza Impresa') operates with the objective of investing in social and worker cooperatives and is promoted by 270 cooperatives* supported *by the Italian Ministry for Economic Development and the Italian Agency for Investments Promotion and Enterprise Development (Invitalia).*" This is partially due to differences in institutional and cultural contexts. Whereas in Anglo-Saxon countries, a top-down approach prevails in which government supports market forces in shaping new models by providing relevant infrastructures, in Mediterranean countries, there is a tangible bottom-up pressure from the civil society to steer action towards new economic and social models.

International networks act as paradigm-building actors by connecting SFIs to enhance standardization, which is paramount for paradigm-structuration. Special focus is on gathering relevant knowledge and expertise to develop general principles and guidelines, establishing a coherent taxonomy of tools and instruments, refining metrics to measure social impacts, building transparent datasets of investments and organizations, and developing new investment products. In Social Impact Investing, networks such as the Global Impact Investing Network (GIIN) actively track industry progress, share market information with diverse impact investors, maintain an online impact database of impact investment funds and products designed for investors, invest in research centres, promote awareness campaigns, events and publications on impact investing, manage online global directories of impact investment vehicles, develop sets of metrics to describe an organization's social, environmental and financial performance, and obtain support from foundations. For example, Big Society Capital (SII2) provides "our investees with an actual menu of KPIs to measure the social, environmental and financial performance of an investment, 70% of which are IRIS metrics developed by GIIN". In the case of Ethical Banking, joining international networks includes "*taking a leading role in the debate about how to build a sustainable future by operating in the investing and financing sector, that is one of the most critical in influencing both internal policies of States and International Organizations to promote sustainable welfare models*" (Banca Etica-EB3), stimulating members' support in knowledge sharing, promoting human development, undertaking research on relevant issues such as impact measurement, organizing capital raising to support the growth of existing and new members. In both SII and EB, international networks usually gather SFIs operating in the same sub-field to settle epistemological boundaries within that specific segment, however occasionally there is higher-order coordination among networks. This is the case of the Global Social Impact Investment Taskforce founded in 2015 with the purpose of "*increasing momentum by promoting a unified view of impact investment, facilitating knowledge exchange and encouraging policy change in national markets […] by bringing together leaders from the worlds of finance, business and philanthropy across the globe, as well as government officials and network organisations active in* supporting *the impact investment sector*".

Finally, foundations are often at the heart of SF. In most cases, foundations contribute to the capital of most SFIs both by providing grants and by investing directly through their core service (e.g. the Rockefeller Foundation invested in Social Finance UK-SII4; Social Finance Foundation invested in Clan Credo-SII5 and UCIT-EB2; Monte dei Paschi Foundations invested in Microcredito di Solidarietà-EB5). More rarely, they provide expertise and knowledge in designing and implementing SF products and services (e.g. Compagnia di San Paolo and Fondazione Cariparo supporting Banca

Prossima-SII1; Fondazione Cariplo collaborating with Banca Etica-EB3). Foundations engage in SF for two main reasons. Most express support for the potential of SFIs to drive the expansion of evidence-based social interventions (e.g. Rockefeller Foundation, Young Foundation). Others draw on the ability of SF to provide flexible, patient capital at scale (e.g. Skoll Foundation, Acumen Fund).

7. Discussion and conclusions

The above findings lead to a number of practical implications: (1) European investors should refer to SF as a field in a pre-paradigmatic stage where (2) SII and EB are emerging as socially-embedded dominant forms; (3) institutional entrepreneurs are key agents in structuring SF as a new paradigm by legitimising SII and EB as dominant forms; (4) exchange of new instruments, languages and approaches can be used to boost convergence towards these dominant forms; (5) beside international networks and foundations, also governments can be effective agents influencing legitimation and consequently structuration in SF.

These results complement current literature on SF that focuses on new approaches and instruments adopted by SFIs in carrying out investment in social projects, highlighting convergence towards SII or EB. We thus expect that SFIs converging towards SII will increasingly focus on generating long-term social impact under financial sustainability constraints by improving the funding efficiency to the third sector that is traditionally hampered by inadequate monitoring and assessment tools. SFIs converging towards EB, on the other hand, are expected to legitimate social value creation as a primary criterion for setting investment assessment tools. This will produce impacts also on the way EB investments will be managed, allowing an increased flexibility and customization of financial products on a case-by-case basis.

From a theory-building perspective, we found that the structuration around two polar forms of SF, i.e. SII and EB, reveals that the evolution of SF is at a pre-paradigmatic stage. While investment logics and investor rationalities differ in SII and EB, in both cases they aim to disrupt traditional logics for the design of financial tools by introducing the assessment of social impacts beside financial returns. In the short-term, this confirms Nicholls's "parallel institutionalization" scenario (Nicholls, 2014), which conceptualizes SF as an emerging field operating on the margins of the mainstream and representing a separate parallel system supporting the wider social economy in a traditional manner. In the long-term, we recognize that the evolution of SFIs still has the potential to give rise to an institutional transformation built a more humanistic model of exchange and economic interaction.

Within this process, we identified institutional entrepreneurs acting as legitimation-seeking agents within the SF landscape. Institutional entrepreneurs combine reflexive isomorphism, trust-building, synergy-building, and communication strategies to enhance cognitive legitimacy of new SF initiatives by fitting within pre-existing institutional structures while at the same time manipulating these structure by creating new audiences and new legitimizing beliefs.

We further argue that the interplay between institutional entrepreneurs and institutional actors is a key aspect in legitimizing emerging SF models and contributing to the structuration of SF as a potential new paradigm. Collaboration with other SFIs, with mainstream financial institutions and with government seems particularly effective in strengthening and accelerating knowledge building and cognitive framing. International networks and foundations also support these processes. In that, social-cultural environment plays a significant role in determining the direction of structuration either towards SII or EB.

The actions of legitimacy-seeking institutional entrepreneurs and legitimizing institutional actors tend to bring isomorphism in SF. From one side, institutional entrepreneurs are capable of legitimizing SF models thanks to their ability to penetrate the cognitive frames of institutional actors by mimicking their language and narratives. In this way, they attract both tangible and intangible resources that contribute to structure SF around their dominant models and forms. From the other side, institutional actors bring coercive isomorphic change in SF by influencing legitimacy-seeking institutional entrepreneurs in conforming new languages, tools and narratives to their own preferences.

These isomorphic pressures pose some threats for next structuration stages, which are relevant in influencing the pace of the processes of parallel institutionalization and institutional transformation identified by Nicholls (2014). Recent criticisms from social investors towards SII report —as an example-that "*We know that all too often there is a mismatch between the hype of social investment and the gritty reality. Part of this is a mismatch of expectations — between the social investor with the money, and the social enterprise looking to raise finance*." This could be even more critical if future trends in SII, which is subject to a trade off between legitimacy and absorption by incumbents, will lead to conform to mainstream finance. In this regard, our findings come with a potential policy implication. Institutional actors may actively engage in structuration strategies that direct the convergence of the SII and EB into a unified framework combining instruments and methodologies of SII with epistemological norms and value of EB.

In the next future, synergy-building strategies focused on co-financing and/or co-designing with other SFIs may be particularly important to legitimate SF as a new paradigm. In fact, such collaborations and partnerships appear to lead to the creation and standardization of instruments, methods and approaches that foster the development of a stable epistemological system, which is critical for SF paradigm-shaping.

The research presents some limitations. First of all, the research unit is limited and does not include central SF markets in Europe. Future efforts might extend the investigation to exemplar SFIs in other countries with mature SF markets and different SF traditions, such as France, Germany, Spain and The Netherlands. Examining how different traditions such as the French solidarity economy or the German social market economy influence the structuration of national SF markets might be valuable in order to complement and extend our findings. Second, the study has not analysed the organizational structures of supply, intermediation and demand within SF, which may provide additional insights into the institutional dynamics operating in this scenario.

Third, further research should focus on deductively testing the constructs in a survey of multiple SF organizations in different countries. It would be important to analyse the intensity of interactions among SII institutions and EB institutions with identified institutional stakeholders (i.e. beneficiaries, conventional SFIs, governments) in order to assess the comparative outcomes in terms of institutionalization of SF. In addition, the size and resources utilized in legitimacy building could be analysed in order to compare the efforts and power needed to institutionalize SF according to reflexive isomorphism.

A final remark for future research relates to the effects of SF structuration on performance, especially in relation to sustainable environmental and social outcomes. Future research might question whether and how emerging dominant forms of SF differ in terms of both financial and environmental and social performance. To this end, a quantitative case study might be particularly suitable.

This manuscript has investigated SF in order to contribute to the limited literature on its structuration. It is hoped that this study will serve as a foundation for future research on SF as a new paradigm in support of a reformed future global economy, which is more responsive to social challenges.

Appendix 1

Interview questionnaire

1. Could you, please, briefly explain the following characteristics of your organization?
   - Mission
   - Strategy
   - Scale (Number of investment undertaken, amount of investment, amount of debt)
2. How does your organization make investment decisions? Including:
   - Investment objectives
   - Investment criteria
   - Project value assessment (both social and economic value)
   - Project risk assessment
3. How, if at all, do you measure the "Return on Investment" for your financed projects? Please, indicate whether financial or social return are most relevant in evaluating projects.
4. How and for what purposes do you communicate social value created though investment in third sector organizations?
5. Who are and what is the role of relevant stakeholders in defining your investment strategy?
6. What is the role of partnering with other SFIs in delivering your services?
7. What is the role of national and international networks for supporting your organization?

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