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**Ambiguity and Intermediation in the Early
Moments of Market Formation:
The Case of the UK Social Investment Market**

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Abstract

Markets are arenas of social interaction for the exchange of products and services that are embedded in specific networks, cultures, and political relations. The study of how new markets come into being is a lively area of scholarly debate, and the purpose of this thesis is to shed light on the dynamics of these early moments of market formation. These nascent markets are characterized by the lack of shared meanings and settled rules around their participants, processes, and infrastructure. I approach them with arguments from economic sociology and from theories of organizations and institutions.

The empirical context is a longitudinal study of the UK social investment market from 2000 to 2015, a field that intersects the social, financial, and public sectors. Social investment refers to the combination of financial returns and social impact, but the contest over its meaning and practice is itself a part of this analysis. The core data collection is based on interviews, reports, field events, and online sources, which provide an empirical basis to understand the social, cultural, and political processes that are shaping this market.

I build on different traditions in the sociology of markets to explore changes over time in the rules, identities, practices, and dominant actors during the early moments of the UK social investment market. My first main finding is that the initial period of uncontested ambiguity is followed by efforts from mainstream organizations to reduce that ambiguity by reshaping rules and practices. This then results in a period of collaborative contestation, where peripheral actors challenge the core features of the field and hinder the path to stability. The second finding is about the role played by intermediary organizations in nascent markets, which consists of building the market infrastructure by connecting actors, developing a language, and establishing rules and practices.

These findings point to the importance of theorizing about ambiguity in the early moments of markets. I contribute to this endeavor by specifying some of its features and dynamics, and by emphasizing the centrality of intermediation. I also further our understanding of those markets that span across the worlds of business, policy, and civil society.

Keywords: Sociology of markets, Nascent markets, Ambiguity, Early moments, Field emergence, Intermediation, Social investment, Impact investment

Acknowledgements

As it says in the front page, the submission of this thesis is just a *partial fulfillment* of the requirements for the DPhil degree. Becoming a doctor, in Oxford and elsewhere, needs more than a few hundred pages of scholarly writing and academic contributions.

Becoming a young scholar has been a process of socialization into a world of reading, reflecting, writing, and sharing. Reading articles, books, and online sources: some that are directly relevant to my field of research, some that are only tangentially relevant, and many that I just read for the sake of knowledge. Reflecting on a daily basis on the dynamics of organizations and markets, on the insights and shortcomings of other people's work and also my own. Writing to make a point or disseminate my newly acquired wisdom, but more often writing to make sense of 'what I think that I know'. And sharing, either at big conferences or small workshops, with senior colleagues or with fellow students, which has helped me improve, refine, and distill my contributions to the field.

Doing all this during four years at Oxford has been a precious gift. The history of the city, the traditions of the university, the college life, all the visiting scholars and countless talks and conferences, everything seemed in line for encouraging that socialization into the academic world. Moreover, the people and the resources at Saïd Business School and Green Templeton College have been the perfect anchor for enjoying the journey and steering it in a good direction. Deans, principals, senior tutors, administration staff... my gratitude to all of them and the institutions they represent is forever.

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List of Abbreviations

BSC	Big Society Capital
CDFI	Community Development Finance Institutions
CDFA	Community Development Finance Association
CEO	Chief Executive Officer
CIC	Community Interest Companies
CLG	Company Limited by Guarantee
CLS	Company Limited by Shares
CSR	Corporate Social Responsibility
DWP	Department of Work and Pensions
ESG	Environmental, Social and Governance
EVPA	European Venture Philanthropy Association
GIIN	Global Impact Investing Network
SIB	Social Impact Bond
SIBG	Social Investment Business Group
SIFI	Social Investment Financial Intermediary
SITF	Social Investment Task Force
SITR	Social Investment Tax Relief
SRI	Socially Responsible Investing

1 Introduction

1.1 Motivation

When I embarked on the venture of starting this DPhil I knew some things about social investment, little about the sociology of markets, and nothing about how my research could eventually contribute to academic theories of organizations and markets. During these four years, I have taken many decisions that have configured not only this thesis but also my academic profile. Decisions that might not have been fully conscious or deliberate at the point of being taken but which, in hindsight, have been the steps of a meaningful process of academic discovery. Weick (1995) defined the process of *sensemaking* with a famous recipe: “How can I know what I think until I see what I say?”. Now that I see what I say in this thesis, I begin to understand the motivation and the rationale behind it.

As the starting point, there is my willingness to do academic research that contributes to addressing some of the pressing problems of our time. This engagement with the so-called grand challenges (Ferraro, Etzion, & Gehman, 2015; George, 2014) is an emerging theme in organization theory, one that needs to be celebrated and encouraged. The financial markets are often at the heart of these societal challenges: sometimes as the cause, sometimes as the potential solution, sometimes as an important intermediary. Social investment, which is seen by some as part of the problem and by others as part of the solution, is indeed a tool that aims to play a role in the global economic, social, and political scene. However, as a field, it is still in its infancy and its future development will be marked by the market dynamics in these early moments. Therefore, studying the first stages of social investment can help us theorize about this and other practices to tackle grand challenges and about how markets are built in general. Specifically, an approach

that takes into account the institutional, cultural, and political nature of markets will help us recognize the complex systems in which these emergent tools are embedded, the conditions that can enable or constrain social change, and the roles played by different actors in such processes. In the end, “there is nothing more practical than a good theory” (Lewin, 1952, p. 169).

1.2 Introduction

The main goal of this thesis is to shed light on our understanding of the early stages of market formation processes. Departing from neoclassical approaches that reduce markets to the exchange between homogenous and stable supply and demand curves, and instead embracing a sociological perspective that takes into account networks (Granovetter, 1985; Khurana, 2002), culture (Weber, Heinze, & DeSoucey, 2008; Zelizer, 1978), and power (Fligstein, 1996; Morgan, 2008), I contribute to a vibrant tradition of research on the *sociology of markets* (Fligstein & Dauter, 2007).

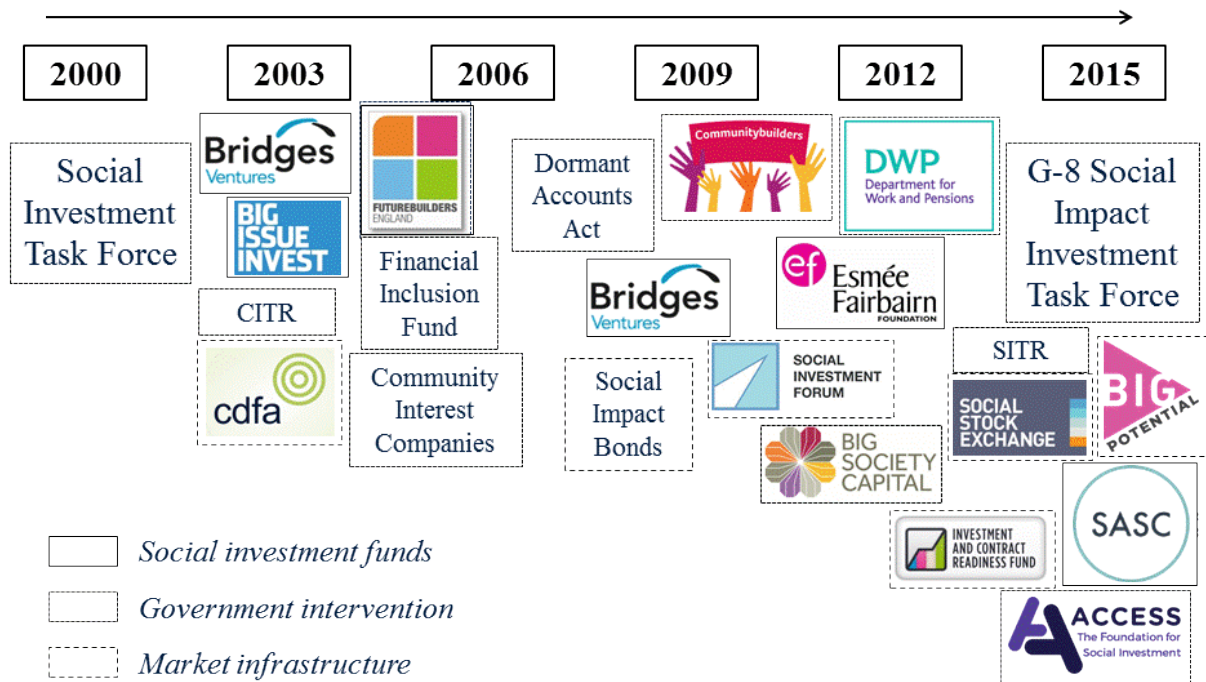
Although building on these substantial bodies of research on market formation, I focus specifically on the early moments¹ of nascent markets (Santos & Eisenhardt, 2009). I define these *early moments* as the initial periods of market or field formation, between the first, scattered instances of activity that are related to a new technology (Furnari, 2014), product (Hannigan, 2012), or issue (Hoffman, 1999), and the coalescence of those

¹ ‘Early moments’ is a term coined by my supervisor Marc Ventresca and used by himself and other colleagues in Oxford to refer to the technological and institutional complexities that abound in the early stages of new markets and fields, and which bring to the fore the need to unbuild legacy systems, broker between different fields, and collectively construct the meanings and the institutions that will govern the new industry.

different activities around the more or less coherent and stable set of networks, meanings, and institutions that define the new market or field (Beckert, 2010).

These early stages of market formation are hence characterized by the lack of clarity and agreement around the main features of the market itself (Beckert, 2009), features that are contested and not reducible to the concept of uncertainty (Knight, 1921). With my research I contribute to the study of nascent markets – an area of direct interest to theories of technology innovation, social cognition, social movements, and institutionalization – by distilling and emphasizing the role of ambiguity in such processes of market formation. Instead of treating ambiguity as a market inefficiency to be resolved early on, I dig into its multifaceted, dynamic, and contested nature, as well as into the role of intermediary organizations as the drivers of new institutional fields.

I do this by learning from a 15-year period (2000-2015) in the development of the social investment market in the UK, between the initial interest and initiatives from a varied set of actors to the current efforts – and critiques – that have moved the field forward. Figure 1.1 shows some of the organizations, government policies, and blocks of market infrastructure that have appeared during this period: what started as a dispersed number of entrepreneurial activities, policy interventions, and investment approaches, has turned into a recognized market where social investors provide repayable finance to mostly social sector organizations (Big Society Capital, 2016b). This empirical context, located at the intersection of the financial, social, and public sectors in the UK, is therefore an exemplar setting for studying the complexities of market formation processes through the interpretive analysis of the accounts and opinions of the individuals and organizations involved, as well as the large number of more formal industry reports published during this period.

Figure 1.1: Chronology of the social investment market in the UK

Source: Author compilation and analysis.

My main theoretical contributions come from tracking ambiguity and contestation around different market features in these early moments, from looking at the role played by intermediary organizations in the process of market formation, and from providing a detailed account of how social finance markets have been developed in a given context. First, I focused my research on studying what happens in the so-called ‘era of ferment’ in market formation (Anderson & Tushman, 1990), to specify the processes that take place in a period that is often referred to as ‘ambiguous and contested’ (Hajek, Ventresca, Scriven, & Castro, 2011; Leblebici, Salancik, Copay, & King, 1991; Santos & Eisenhardt, 2009) but from which we lack enough in-depth qualitative studies that surface and theorize the complexities inherent to these early moments (Padgett & Powell, 2012b). My particular approach extends the role of ambiguity as understood by different perspectives on market formation (institutional theory, technology innovation, social cognition, social movements) and also understanding institutionalization not as a dichotomy or as a period

that ends with the first symptoms of stabilization, but instead as a longer timeframe that combines convergence and contestation, increase and reduction of ambiguity, and top-down and bottom-up processes.

The contribution is to specify the different features that shape market ambiguity – rules, identities, practices, and dominant actors – and to acknowledge that they can settle in different ways and at different paces. In the case of the UK social investment market, these early moments have experienced a period of generalized ambiguity across the four market features, followed by efforts from mainstream organizations to reduce that ambiguity and by contestation from peripheral actors that did not agree with the new and more narrow vision of the market. The fact that those features that had become more clearly defined were also the ones that received most opposition suggests that contestation is a distinct stage that follows periods of high ambiguity, and that market formation need to be analyzed in longer timeframes to understand the different periods and processes that will lead to temporary settlements of its defining features.

Second, I have contributed to research on the early moments of market formation by highlighting the role that intermediary organizations play in building the infrastructure of new markets. My research presents networks, meanings, and institutions as the building blocks of market infrastructure, and shows different mechanisms by which intermediaries are involved in their construction: connecting actors, developing a language, and establishing rules and practices.

In doing so, I also leverage different literatures that address issues of intermediation but which have remained dispersed because they use different languages or approaches. These include research that looks at field-configuring events as spaces for convening people from different backgrounds and disseminating knowledge (Hardy & Maguire,

2010; Mair & Hehenberger, 2014; Zilber, 2011); information regimes like tables and rankings as the origins of new and shared meanings (Anand & Peterson, 2000; Espeland & Sauder, 2007); specific organizations portrayed as market architects as they redefine institutional arrangements (Brès & Gond, 2014; Pollock, Porac, & Wade, 2004) and cultural norms (Mair, Martí, & Ventresca, 2012; Suchman, 2000); or work on standardization and the creation of new rules and norms (Déjean, Gond, & Leca, 2004; Slager, Gond, & Moon, 2012). This allows me to challenge current theories of intermediation by suggesting that, in nascent markets, intermediation has three distinct but complementary aspects: network, cultural, and institutional intermediation. My contribution is hence to rethink intermediation by moving from a focus on specific exchanges or relations to a process of building new institutional arrangements. From a theoretical perspective, I also frame these intermediation mechanisms as a process of reassembling dispersed resources, unclear meanings, and disconnected ties to drive processes of institutional emergence.

And *third*, I have contributed to our understanding of how markets for social finance can develop and how they are shaped by organizational mechanisms and field-level processes. Organization theorists have been paying more and more attention to markets and fields that include values and goals that go beyond self-interest and profit maximization, including corporate social responsibility (Brès & Gond, 2014), socially responsible investment (Arjaliès, 2010; Giamporcaro & Gond, 2016), social enterprises (Pache & Santos, 2013), green energy (Jay, 2013; Sine & Lee, 2009), or community banking (Almandoz, 2012, 2014). These empirical contexts are often used to expand general theories of organizations and markets – as in my case, with the sociology of markets and intermediation theories –, but they also further our understanding of the idiosyncrasies of these markets where we find agreement around the goals (e.g. increased social impact, or

finance for the social sector) but often disagreement about the means (e.g. what business of financial practices are more appropriate to attain those goals).

The contribution to this line of research consists of portraying social innovation processes as long-term, multifaceted, distributed, and mediated, and specifying *collaborative contestation* as a mechanism by which this type of market can move beyond the initial ambiguity and subsequent opposition between mainstream and peripheral organizations.

The thesis is divided in seven chapters. After this introduction, in **Chapter 2** I offer a review of the different literatures that are relevant for this research project and I frame my research questions in relation to the corresponding theoretical conversations. I present my understanding of markets *as fields* by defining them as “arenas of social interaction for the exchange of goods and services” (Beckert, 2010, p. 609; Fligstein & McAdam, 2012) and combining insights from the perspectives of markets from networks (Granovetter, 1985), markets from culture (Abolafia, 1998), and markets as politics (Fligstein, 1996). I then offer a conceptualization of ‘early moments’ by bringing together four literatures that study market or field emergence: technology innovation (Anderson & Tushman, 1990), social cognition (Kaplan, 2011), social movements (Lounsbury, Ventresca, & Hirsch, 2003), and institutional theory (DiMaggio & Powell, 1983).

I focus the review on how the different literatures deal with ambiguity in processes of market formation, and I suggest that a more dynamic and multifaceted approach is needed. I also find a lack of attention to intermediation mechanisms (e.g. Mair et al., 2012) and to multilevel processes (e.g. Purdy & Gray, 2009) in field emergence, aspects that I address in subsequent chapters.

In **Chapter 3** I present the methodology of my empirical study. I start by motivating the research design in light of the challenges and opportunities of studying ‘early moments’,

which benefit from field-level, interpretive approaches that can capture the variation and complexities that take place beyond intra-organizational activity, but which is also attentive to the roles played by different actors. I provide a description of the social investment market in the UK, an exemplary empirical context for studying the early stages of market formation. I also offer a detailed account of the data sources and the data collection process, as well as an overview of the data analysis – which I develop further in each empirical chapter.

Chapter 4 is the first empirical chapter, in which I explore the question of *how ambiguity is resolved in the early stages of market formation*. Using data from industry reports and interviews, and triangulating it with my reading of blogs, social media, and participating in industry events, I describe and analyze the evolution of the UK social investment market between 2000 and 2015. Starting from chronological events and using my rich empirical data, I focus the analysis on the different features of ambiguity – rules, identities, practices, and dominant actors – and how the ambiguity around these different but interrelated elements is resolved over time.

The data suggest the existence of two distinct periods: one of high ambiguity and low contestation (2000-2009) and another one of reduced ambiguity and increased contestation (2010-2015), the latter triggered by a number of initiatives and events that narrowed the initially broad space of social finance into a more clearly defined social investment market. The findings allow me to offer a model for understanding how ambiguity and contestation can drive the development of nascent markets. In the case of social investment in the UK, the market experienced a move from ‘uncontested ambiguity’ to ‘top-down disambiguation’ and ‘collaborative contestation’.

The concept of *collaborative contestation*, characterized by the receptivity of mainstream organizations, the sympathy of the critics, and the creation of spaces of negotiation, contributes specifically to our understanding of markets that lie at the intersection of the business and social sectors, where despite differences in the strategies and the means, market actors often agree on a common goal – in this case, strengthening the social sector with novel forms of finance.

In **Chapter 5** I focus on the role of intermediaries in the process of building the UK social investment market. The detailed coding of the interview data provided a rich picture of the different processes and mechanisms that took part in this market-building process, as well as the importance that intermediary organizations had in each of them. In the findings, I describe how the early moments of social investment, and especially after 2010, have been characterized by the building of the networks, meanings, and institutions that constitute the new market.

My findings allow me to extend current theories of market formation and to challenge traditional perspectives on intermediation. For example, I identify the mechanisms of ‘convening’ and ‘crossing sector boundaries’, which relate to the network embeddedness of markets (Granovetter, 1985; Uzzi, 1996) and link with other researchers that have acknowledged this role of building networks often played by intermediaries (Khurana, 2002; Mair & Hehenberger, 2014; Pollock et al., 2004). I also find the mechanisms of ‘developing a language’ and ‘disseminating information’, which emphasize the cultural embeddedness of markets (Fourcade, 2007; Zelizer, 1978) and connect with scholars focused on the building of meanings in market dynamics (Anand & Peterson, 2000; Suchman, 1995; Zuckerman, 1999). Finally, I identify ‘lobbying for regulation’ and ‘developing tools and metrics’ as mechanisms for building the institutions (in this case, formal rules and informal norms and standards), as the third market-building process in

which intermediary organizations play a central role (Brès & Gond, 2014; Mair et al., 2012; Morgan, 2008). This framework allows me to present a broader conceptualization of the role of intermediaries in the early stages of market formation, which goes beyond mediating in particular exchanges or relations and includes their participation in network, cultural, and institutional processes.

Chapter 6 introduces a multilevel theoretical framework to understand processes of institutional emergence. Although the concepts and insights come partly from my empirical study and I use the case of social investment in the UK as an illustration to explain some of the constructs, I build the arguments from extant theories on institutional processes (Greenwood, Oliver, Suddaby, & Sahlin, 2008; Zietsma & Lawrence, 2010), brokerage (Sgourev, 2015; Stovel & Shaw, 2012), and interactionism (Barley, 2008; Hallett & Ventresca, 2006).

I present ‘contexts of ferment’, located at the intersection of different fields and characterized by their institutional complexity and ambiguity (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Townsend & Hart, 2008), as conducive for the emergence of new institutional fields, and brokerage and interactionism as interorganizational processes that favor the rise of new practices and meanings (Furnari, 2014; Gray, Purdy, & Ansari, 2015). Finally, I show that portraying intermediation as a process of reassembling ties, meanings, and resources helps us understand how specific organizational mechanisms drive institutional emergence.

The final **Chapter 7** is a discussion of the learnings of the thesis and the contributions to different academic conversations. I advance theories of nascent markets in their characterization of ambiguity, by showing that initial periods of ambiguity are not always followed by field stability. Instead, I suggest that changes in the level of ambiguity around

different features can lead to an increase of contestation. I discuss how current theories of intermediation fall short in portraying the system-building role of intermediary organizations, which includes mechanisms that relate to network, cultural, and institutional intermediation. I also suggest that understanding intermediation as the reassembly of dispersed resources in complex and ambiguous contexts can help us better grasp the dynamics of nascent markets. In relation to the building of social finance markets (Arjaliès, 2010; Giamporcaro & Gond, 2016), of which social investment in the UK is an example, I emphasize the long-term nature of these social innovation endeavors, the importance of the government and other intermediary actors, and the opportunities and challenges for replicating these markets in other contexts and geographies.

Finally, I complement this discussion chapter with a research agenda that suggests different avenues for pushing the sociology of markets further, with research designs that combine the attention to societal- and field-level features with organization-rich processes and the acknowledgement and specificities of complex and situated empirical contexts.

1.3 Terminology

After this introduction and before diving into the theoretical background and empirical chapters, it is worth taking a step back and defining some terms that will be used throughout the thesis and the meaning of which might be ambiguous or contested. Some of these terms come from their academic use in the fields of organization theory and economic sociology – institutions, fields, markets, intermediaries, and emergence – while others come directly from the research context – social investment, impact investment, social finance, socially responsible investment, and social enterprise. Please note that this ‘terminology’ section is just a brief guide for those coming from other fields of study,

while the different perspectives and nuances of these concepts will be discussed in other chapters.

I will refer to *institutions* as generally understood in the *new* institutional theory, i.e. the formal rules, the more-or-less taken-for-granted norms, and the cultural values and beliefs that guide the actions of individuals and organizations in a specific context (Greenwood et al., 2008; Scott, 1995). I follow Fligstein (2013, p. 40) in seeing *fields* as “social arena[s] where something is at stake” and where actors engage with other actors under a set of common understandings and resources. These fields span beyond the mere competitors and take into account clients, suppliers, regulators, and all “those organizations that, in aggregate constitute a recognized area of institutional life” (DiMaggio & Powell, 1983, p. 148). The boundaries are hence not only defined by the interactions among organizations but also by interorganizational structures, shared information, and mutual awareness.

Understanding *markets* as fields I highlight their contested nature and their process of social construction (Beckert, 2009; King & Pearce, 2010). Markets are therefore “systems of economic exchange and spaces for social interaction as well as complex bundles of institutions” (Mair et al., 2012, p. 820). *Intermediaries* are part of these markets, and I include in this category a wide range of organizations that mediate among two or more actors, either with financial capital or others forms of capital (especially social and cultural). Although intermediaries in financial markets have traditionally been seen as those organizations buying from one party and selling to another (Allen & Santomero, 1998; Spulber, 1996), I follow broader views that see intermediaries “as agents that link two or more parties to bring about specific activities” (Dutt et al., 2015, p. 3). This can include investment funds, trade associations, advisors, brokers, incubators, platforms, etc.

Emergence is a concept that has been widely used in complexity theory, referring to the process of going from chaos to order in nonlinear systems. In this thesis I will usually

speak about institutional emergence as the process of constructing a shared set of meanings and practices, following a cultural and institutional tradition (Becker, 1982; DiMaggio & Powell, 1983) that has recently been extended by Padgett and Powell (2012a).

Language around investing with a social purpose is still ambiguous and contested, but it is also worth stating what I will be referring to with each term. *Social investment* is about financing organizations with a social mission with the expectation of some financial returns (at least having the principal back) along the social impact generated. However, this term and the agreements around it are still in motion among the informants and sources used in my research (see pp. 60-64 for more details). Social investment also refers to the market/field that has developed in the UK under this premise, even though its focus has varied over time. Some people, especially in the United States, refer to this activity as *impact investment*. The idea is usually very similar (the GIIN defines it as investing “with the intention to generate social and environmental impact alongside a financial return”), although there is probably less emphasis on the social mission of the investee and more on the measureable impact generated.

Social finance is usually understood as a broader concept, including “a wide range of risk and return models from the 100% loss capital allocation of philanthropy to the market – or above market – returns” (Nicholls, 2013, p. 163). The social investment market, which here excludes purely philanthropic activity, would then be part of a wider social finance space. *Socially responsible investment* (SRI) is another term with some similarities, but is generally used to describe the negative screening (exclusion of ‘bad’ industries such as weapons, tobacco, or gambling) or positive screening (including

ESG² criteria) when investing in public stock markets. Because these investments are not purposefully seeking organizations with a social mission, this practice would remain outside the boundaries of social investment as understood in this research. Finally, *social enterprise* is another term that is often used in this literature. Here they are defined as those organizations that pursue a social mission through business practices, which can include charities with earned income strategies, community interest companies, or for-profit organizations with a primary social mission.

² ESG = Environmental, Social, and Governance factors. See the United Nations' Principles for Responsible Investment for more information: <http://www.unpri.org/>

2 Theoretical Background

2.1 Introduction

The purpose of this chapter is to give an overview of different sociological approaches to the study of market dynamics, as well as to inform the research questions of this thesis. Therefore, this literature review highlights those bodies of work to which I wish to contribute with this research.

First, I review the three main conceptualizations of markets offered by economic sociologists: markets from networks (Granovetter, 1985; White, 1981), markets from culture (Abolafia, 1998; Zelizer, 1978), and markets as politics (Fligstein, 1996; King & Pearce, 2010). While the three of them are complementary, each emphasizes a distinct feature. *Markets from networks* focus on the nodes and ties that lie under economic exchanges, highlighting the structure of those networks, the interdependence of the different actors, and the importance of bridging across disconnected networks. *Markets from culture* channel attention to the systems of norms and cognitive scripts in which economic action is embedded, and how changes in values and beliefs directly affect the success (or lack of it) of certain markets. Finally, *markets as politics* emphasize their contentious nature and the specific role of certain actors such as states, incumbent corporations, social movements, or powerful intermediaries.

Second, I bring these three perspectives together and I follow researchers who define markets as *fields* (Fligstein & McAdam, 2012). This approach portrays markets as arenas of social interaction (Beckert, 2010), reinforcing the idea that market actors interact frequently and fatefully with each other (Scott, 1995). This analytical approach calls for a focus on studying market boundaries (Santos & Eisenhardt, 2009), collective action

(Rao, Morrill, & Zald, 2000), standards (Slager et al., 2012), and coordination (Ahrne, Aspers, & Brunsson, 2014; Beckert, 2009).

Third, I focus on the early stages of market formation and I identify four related bodies of work that engage with the complexity of those early moments. The literature on technology innovation highlights how technological discontinuities trigger a period of experimentation and product innovation until the appearance of a dominant design allows the market to cohere and grow (Anderson & Tushman, 1990; Utterback & Abernathy, 1975). Research on social cognition emphasizes the importance of interaction among market actors to build those collective meanings that shape the main features and boundaries of the new market (Rosa, Porac, Runser-Spanjol, & Saxon, 1999; Suarez, Grodal, & Gotsopoulos, 2015). Social movement theory gives preeminence to power imbalances and the role of incumbents and challengers in defining or redefining the rules of the game in a certain field (Lounsbury et al., 2003; Rao et al., 2000). And institutional theory has explained the early stages of market formation by focusing on the emergence and diffusion of certain norms or organizational forms (Barley & Tolbert, 1997), as well as more recently on the work carried out by certain actors in creating, maintaining, or disrupting those rules or norms that enable and constrain organizational action (Zietsma & Lawrence, 2010). I show that these theories have different perspectives on what are the main drivers of ambiguity, but that interestingly they all treat ambiguity as something to be resolved before the market can grow and stabilize. With the purpose of exploring this assumption, I engage with the different features of market ambiguity and I ask *how ambiguity is resolved in the early stages of market formation*.

Fourth, since my review of market formation processes highlights the relevance of intermediary organizations in such market dynamics, I explore different approaches to intermediation and I focus on those that go beyond only economic or network

perspectives. I then focus on research that, even without using the language of intermediation, has shown that organizations such as financial analysts, trade associations, rating agencies, or information regimes can play a central role in defining a market (Anand & Peterson, 2000; Leca & Naccache, 2006; Morgan, 2008; Zuckerman, 1999). This leads to the second research question, which asks, *What role(s) do intermediaries play in the early moments of market formation?*

Finally, after noticing the lack of multilevel studies and frameworks that help us understand field emergence, I introduce another research question that will be addressed as an integration and development of theoretical arguments and research agenda: *what is the relation between field-level conditions, interorganizational processes, and organizational mechanisms in the emergence of new fields?*.

2.2 Sociology of Markets

Classical economics traditionally portrays markets as smooth systems of exchange where buyers and sellers have clear utility functions that ‘meet’ in what is called the market equilibrium, which predicts that quantity X will be exchanged at price Y. This model, epitomized by the supply and demand curves, is based on a set of assumptions that include the rationality of actors, their independence from each other, homogeneity of products or services, a large number of firms, and perfect information (Biggart & Delbridge, 2004). While approaching markets ‘as if’ these assumptions were true can help us predict certain trends or behaviors, these models give us little understanding of how markets actually work and the complex, socially constructed (“dirtier”, as Hirsch, Michaels and Friedman (1987) said) processes that take place in these social spaces.

Economic sociology was born in response to this over-rationalized approach to economic activity, highlighting its embeddedness in social structures and cultural traditions (Fourcade, 2007; Granovetter, 1985; Polanyi, 1944). One important stream of research for economic sociologists is the study of market dynamics, which is often known as the sociology of markets (Fligstein & Dauter, 2007) and has traditionally been approached from three different but complementary perspectives: markets from networks (Granovetter, 1985; Uzzi, 1996), markets from culture (Fourcade, 2007; Zelizer, 1978), and markets as politics (Carruthers & Kim, 2011; Fligstein, 1996).

2.2.1 Markets from networks

The network approach to market formation and dynamics is based on the idea that those organizations and individuals partaking in a market are not independent from each other (Burt, 1982). Instead, they have many ties that influence who they exchange with and in what terms, who they listen to when drafting new regulation, or who they look at when trying to make sense of a new product. In his seminal article on the embeddedness of economic action in a social structure, Granovetter (1985) laid the foundations for a network approach to markets. He wrote it as a critique of under- and oversocialized understandings of human action, arguing that “actors do not behave or decide as atoms outside a social contexts, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy” (p. 487). Alternatively, he proposed that purposive action is “embedded in concrete, ongoing systems of social relations” (p. 487), something that had been neglected by standard economic analysis. Even when neoclassical economists included dyadic relations in their analysis of make or buy decisions (Williamson, 1975), they failed to acknowledge that these ties are themselves part of, and influenced by, “broader systems of social relations” (Granovetter, 1985, p. 495). Biggart and Delbridge (2004) also put the social structure

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(together with cultural factors) at the center to understand the different types of markets (or *systems of exchange*) that are found in real life, as opposed to the idealized assumptions of neoclassical markets.

Following this line of thought, Uzzi (1996, p. 674, 1997) agreed that “embeddedness refers to the process by which social relations shape economic action in ways that some mainstream economic schemes overlook or misspecify”, and he showed empirically how being part of broader networks helped firms increase their likelihood of survival. Other researchers have also observed the importance of social structures in market developments. White (1981) was one of the first to argue against the idea that producers are independent from each other and rather showed that markets are made of “tangible cliques” where actors are aware of and respond to each other’s actions. Burt (1992) introduced the concept of structural holes and the importance of those actors connecting networks that were previously disconnected. And Granovetter (1973) had emphasized the role of weak ties in expanding the outreach (e.g. in terms of being aware of job offers) of certain networks.

Research on the formative dynamics of different industries has shown the importance of networks in the early stages of market formation. For example, Granovetter and McGuire (1998, p. 167) concluded that the electricity industry in the United States was born of “longstanding friendships, similar experiences, common dependencies, corporate interlocks, and active creation of new social relations”, something similar to Hughes’ findings in his study of the development of national electric systems in the 19th century in Germany, the United Kingdom, and the United States (T. Hughes, 1983, 1987). The importance of networks has also been well studied in the innovative capability of the technology cluster in Silicon Valley, where the role of venture capital firms (Ferrary &

Granovetter, 2009) and specialized lawyers (Suchman, 2000) has been central in connecting different actors and building a robust system.

Powell and colleagues (1996) showed how networks of interorganizational collaboration in the biotechnology industry were crucial for innovation and organizational learning, and hence drove the development of the sector. By a close study of the brokering position of IDEO, which is connected to different and often unrelated industries, Hargadon and Sutton (1997) also observed the central role played by the social structure in developing disruptive innovations. Similarly, Pollock and colleagues (2004) portrayed investment brokers as “network architects” that *constructed* the market for Initial Public Offerings (IPOs) in the United States.

Markets cannot hence be understood without taking into account the social structure in which they are embedded. Furthermore, the characteristics of the early networks and of some of the actors involved, especially those located in brokering positions, will influence future market developments. However, markets are more than nodes and ties, and taking into account the often taken-for-granted values and beliefs that surround them will help us understand why markets look as they do.

2.2.2 Markets from culture

Studying the interaction between markets and broader cultural systems was at the center of Polanyi's (1944) account in *The Great Transformation*. He described the rise of the market society as the change from previous economies that were based on reciprocity, redistribution, and local exchange to the spread of the market economy, the nation-state and the idea of economic rationality. Polanyi thus argued that markets as we know them are the result of historical, cultural, and institutional transformations, critiquing the

functionalist fallacy that assumes that institutional arrangements are the result of efficiency demands.

Abolafia (1998) also highlighted that markets are not only “socially embedded in a network of important social relations”, but also “culturally embedded in a meaning system of norms, rules and cognitive scripts” (p. 69). His ethnographic studies of the financial markets (Abolafia, 1996) revealed that, while some environments are absent of reliance and cooperation, others need the building of trust and long-term relationships, and that individuals adhere to the institutionalized identities of their roles to reduce risk and uncertainty. Therefore, these social and cultural forces “determine who may transact with whom, how bids and offers will be coordinated, when and where they may transact, how the commodity is defined and a variety of other conditions of transaction that affect buyers and sellers” (Abolafia, 1998, p. 69).

Indeed, markets present diverse forms and traits that respond to their cultural environments (Geertz, 1978), and markets are transformed as cultural values and beliefs change over time. Zelizer’s (1978, 1985) studies of the life insurance market and the social value of children highlight the cultural embeddedness of those practices. For example, the rise of the “life insurance industry was initially rejected by many as a profanation” (Zelizer, 1978, p. 591), as it meant putting a price on someone’s life. However, by the late 19th century this practice was identified as a ritual and as a wise and generous decision with one’s dependents, to the extent that “a man was judged posthumously by his financial foresight as much as by his spiritual qualities” (p. 603). Religious endorsement was of course an important aspect of this cultural change, as Zelizer’s quote of a reverend aptly shows: “Once the question was: can a Christian man rightfully seek Life Assurance? That day is passed. Now the question is: can a Christian man justify himself in neglecting such a duty?” (p. 603). Quinn (2008) also studied how

morality and culture influenced the life insurance industry, specifically its secondary market, which emerged in the late 20th century in the United States. She described how cultural, demographic, and economic trends changed the general perception towards certain market practices, and highlighted that morality is not “simply floating in some kind of cultural ether, but rather is crystallized in structures” (p. 741) that constitute organizations and institutional fields. The emergence of certain market cultures is also influenced by the work of specific actors. Suchman (1995) showed how lawyers were responsible for creating the “cultural milieu” in Silicon Valley that made transactions between entrepreneurs and venture capitalists “comprehensible, desirable, feasible and meaningful” (p. 264).

This focus on the brokerage position of lawyers reminds us of the importance of both interactions and institutionalization processes in the rise and persistence of markets as embedded in cultural environments (Abolafia, 1998). However, over-emphasizing the role of culture might make us inattentive to the importance of political processes in shaping market dynamics.

2.2.3 Markets as politics

The tradition of understanding markets as political arenas complements network and cultural approaches to the formation and development of markets (Fligstein, 1996; Santos & Eisenhardt, 2009). This perspective includes the particular role played by incumbent organizations and social movements in driving market emergence and transformation.

The distinction between incumbents and challengers helps us grasp the basic idea of the ‘markets as politics’ approach (Fligstein, 1996): most organizations try to influence market dynamics, but they do not all have the same power to do so. Incumbent organizations are powerful, socially skilled actors (Fligstein, 2001a) that “manage to

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stabilize a particular field by getting others to agree with their definition of a particular social terrain” (Fourcade, 2007, p. 1024), while challengers “are smaller and frame their actions in terms of the largest firms”, hence experiencing “the world as a given” (Fligstein, 1996, p. 663). Incumbents exert their influence by having an impact on market institutions, such as property rights, governance structures, conceptions of control, and rules of exchange (Fligstein, 1996). The role of the state is clearly very important in the design and enforcement of these institutions, and hence it plays a central role in defining the features and rules of the game. Knowing that regulation is seldom neutral but instead favors certain conceptions of control (or institutional arrangements), incumbent firms will try to influence the state to reinforce their market position. Markets and their broader economic systems are then the result of political action and contestation rather than of industrial efficiency (Dobbin, 1994). Furthermore, as Campbell and colleagues have shown (Campbell, 2002; Campbell & Pedersen, 2014), such political processes can start in the realm of ideas, as states are surrounded by *knowledge regimes* that influence the range of available policies. For example, the last financial crisis is a case of how “deregulation of the financial sector did not happen on its own” (Carruthers & Kim, 2011, p. 244) but rather it was the neoliberal agenda and market fundamentalism that drove policy reforms in the 1980s and 1990s. Giamporcaro and Gond (2016) also showed that defining a calculative function (in their case, the ratings in the stock markets for socially responsible investment), far from being neutral, is a political process with opposing interests and strategies.

Even if incumbent firms may have advantage in defining the rules of the game, especially through their influence over state actors, research on social movements has shown the capacity of challenger organizations to drive the emergence or transformation of new markets (Lounsbury et al., 2003; Weber et al., 2008). Social movements are “loosely

organized coalitions with a goal of contesting prominent social and cultural practices through sustained campaigns” (Weber et al., 2008, p. 531), and sometimes they can be better equipped to induce transformation because these organizations are less embedded in prior institutional arrangements (Battilana, 2006).

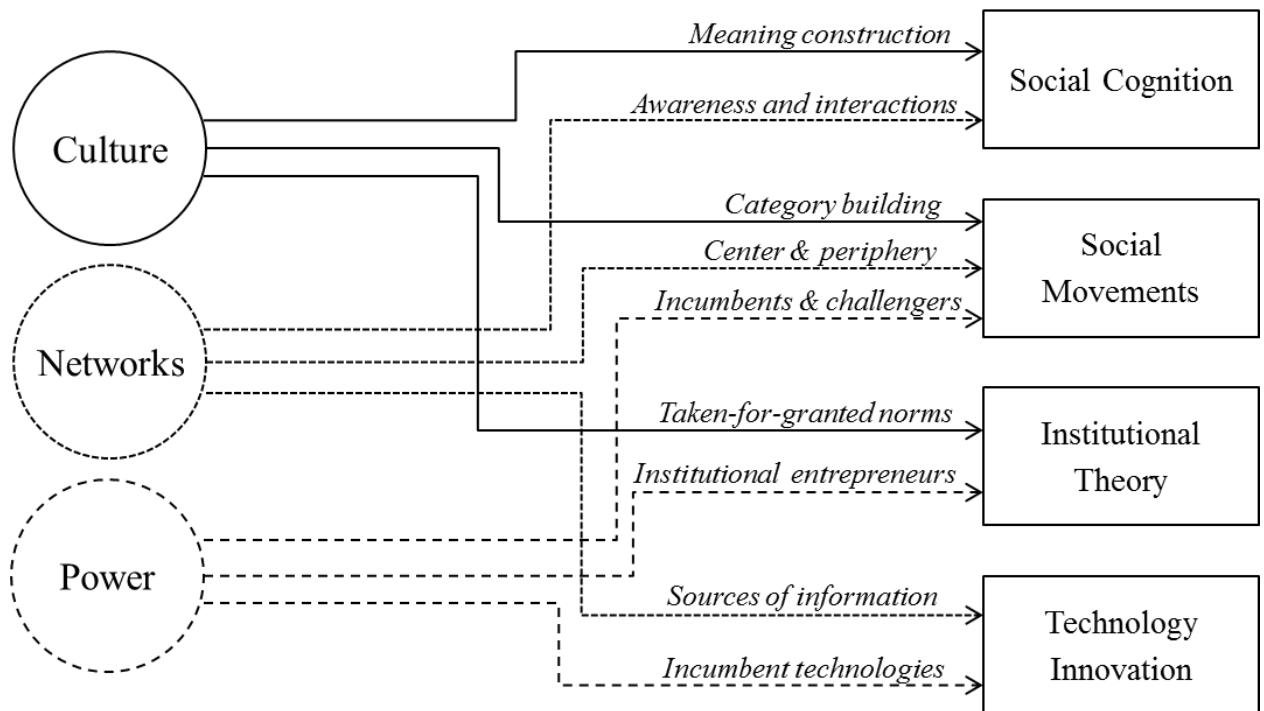
As we will see later in this chapter, these political processes take especial relevance in the early stages of market formation. As Fligstein (1996) proposed, “initial regulatory institutions shape the development of new markets because they produce cultural templates that affect how to organize” (p. 661), but social movements originated in adjacent fields are also likely to influence processes of market emergence by directing actors towards innovative and alternative logics (Weber et al., 2008).

2.3 Markets as Fields

These three approaches to the sociology of markets – networks, culture, and politics –, although analytically distinct, have often converged in the academic literature (Fligstein & McAdam, 2012; Fourcade, 2007). Most economic sociologists acknowledge nowadays that economic activity is *embedded* in social relations, cultural environments, and political struggles, although some scholars might put more emphasis on one perspective or another.

As we see in Figure 2.1, the three perspectives of markets from culture, networks, and power inform different theories of market formation that specifically deal with the early moments of nascent markets (which I review in the next section).

Figure 2.1: How culture, networks, and power approaches link to theories of market formation



In this thesis I build on this tradition and I follow Fligstein (1996, p. 663, 2001a) on his “view of markets [which] is roughly consistent with the idea of organizational fields, in that a market consists of firms who orient their actions toward one another”. Other authors have recently taken on this approach of studying markets *as fields* (Beckert, 2010; Fourcade, 2007; Quinn, 2008), a label that reinforces not only the embeddedness of markets but also their dynamism and social construction. Markets hence become “arenas of social interaction for the exchange of goods and services”, and the emphasis of the analysis shifts from the exchange itself to the forces that structure it (Beckert, 2010, p. 609). In terms of actors, the focus is not only on supply and demand, but on “those organizations that, in the aggregate, constitute a recognized area of institutional life” (DiMaggio & Powell, 1983, p. 148), which includes regulators, brokers, trade associations, consumer associations, media, etc. As institutional theorists say, these actors

“interact more frequently and fatefully with one another than with actors outside the field” (Scott, 1995, p. 56).

But studying markets as fields requires devoting some thought to what a field is and how this perspective helps us understand social structures and dynamics. For Bourdieu (1984), fields are not the aggregation of actors but rather a space of social positions that are occupied by actors, which means that struggles take place not among actors but among cultural categories that are produced and reproduced by social structures. In addition, fields are not something to be defined a priori as a set of actors and relations, but instead they are an analytical tool that helps us understand social spaces by focusing on how shared meanings, practices, and identities are developed over time. Therefore, the study of markets as fields “incorporates institutions, power, struggle, and culture”, and “invokes social spaces that are distinct but also cross-cutting and nested” (Quinn, 2008, p. 745). Understanding fields as *cross-cutting and nested*, rather than in isolation, leads us to look in one important directions. Generative contexts – what I will label as ‘contexts of ferment’ in Chapter 6 – are often located at the intersections of different fields, where organizations will likely experience increased levels of institutional complexity and ambiguity (Greenwood et al., 2011; Townsend & Hart, 2008) and will hence have more discretion to act outside of clearly prescribed rules and norms (Furnari, 2014; Tracey, Phillips, & Jarvis, 2011).

This approach opens up a set of questions about market dynamics that have been guiding economic sociologists for many years, including the rise of certain standards and conventions (Biggart & Beamish, 2003; Garud, Jain, & Kumaraswamy, 2002), the struggles over market boundaries (Santos & Eisenhardt, 2009; Zietsma & Lawrence, 2010), the importance of temporal and geographic conditions (Faulconbridge & Muzio, 2016; Reinecke & Ansari, 2015), coordination among market actors (Ahrne et al., 2014;

Beckert, 2009), or the origins of knowledge and valuation mechanisms (Aspers, 2009; Espeland & Sauder, 2007). Moreover, it prompts us to think about the stage of development, as the processes that take place will differ depending on whether the field is emerging, stable, or in a period of transformation (Fligstein & McAdam, 2012).

This thesis contributes to our understanding of the early stages of market formation, sometimes called the ‘early moments’ (Mair et al., 2012, p. 822), which present a distinctive set of dynamics and challenges that are different from more stable and mature settings.

2.4 The ‘Early Moments’ of Market Formation

Nascent markets are “business environments in an early stage of formation” (Santos & Eisenhardt, 2009, p. 644), characterized by a lack of clarity in product definitions (Rosa et al., 1999), institutional environments (Mair et al., 2012), social structures (Ozcan & Eisenhardt, 2009), and field boundaries (Santos & Eisenhardt, 2009; Zietsma & Lawrence, 2010). Researchers have highlighted the ambiguity that is present in those periods (Beckert, 1996; Hajek et al., 2011; Sgourev, 2013), which organization theorists have studied from different perspectives. In this section I review four of them: technology innovation, cognitive strategy, social movements, and institutional theory. Table 2.1 provides a summary of the core arguments and ‘silences’ of each of these theories regarding the early moments of market formation, which I review in detail in the following sections.

Table 2.1: Overview of core arguments and ‘silences’ of different theories of market formation

	Core arguments	‘Silences’
Technology Innovation	➤ Technological discontinuities, S-curve, ‘era of ferment’, and ‘dominant design’ ➤ Innovation varies over time (product vs process)	➤ Too evolutionary – no space for politics and contestation ➤ ‘Era of ferment’ as a black box – what is the variation within that period?
Social Cognition	➤ Focus on meanings and interactions ➤ Technology as socially constructed	➤ Once meaning is agreed, how can it change? ➤ Culture is reduced to categories
Social Movements	➤ Imagery of incumbents vs challengers ➤ Importance of framing processes	➤ No multilateral approaches (beyond incumbents-challengers) ➤ Contestation as permanent and antagonistic
Institutional Theory	➤ Focus on taken-for-granted norms and practices ➤ Accounts for field-level diffusion and change	➤ Institutional fields are pre-defined ➤ Need to connect across levels of analysis

2.4.1 Technology innovation

Innovation economics uses the concept of technology life cycle as a stylized description of the evolution of markets and industries (Geroski, 2003; Utterback & Abernathy, 1975). The famous S-curve (Foster, 1985) portrays a cycle that starts with a technological discontinuity followed by an era of ferment, a high growth period, and finally certain stability.

Under this perspective of innovation, the trigger of a new industry is a technological discontinuity that spawns multiple designs for a potential new product (Tushman & Anderson, 1986). The subsequent period, labelled as the ‘era of ferment’, is characterized by high levels of experimentation and variation, where different products or

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organizational forms are ‘tested’ in the market (Anderson & Tushman, 1990). This type of product innovation leads to significant diversity in design, which means that the new industry will likely face important issues of incompatibility of different standards and lack of economies of scale (Garud et al., 2002). At some point, the industry will recognize “a single architecture that establishes dominance” (Anderson & Tushman, 1990, p. 13), so-called *dominant design*. This process can be driven by the product’s efficiency, but also by organizational power, interorganizational alliances, or simply luck (Geroski, 2003). Once the market has ‘agreed’ upon a certain dominant design, innovation changes from product to process innovation, which renders industry-wide compatibilities and economies of scale (Utterback & Abernathy, 1975). The focus of innovation moves then from a period of divergence to a convergence over certain features (Grodal, Gotsopoulos, & Suarez, 2015). This results in an increase of market size, a reduction in the number of firm entries and exits, and an eventual stabilization once product penetration gets closer to its potential ceiling (Geroski, 2003).

Recent research on the early stages of the innovation cycle has highlighted how technological advances are linked to cognitive, political, and institutional processes. These linkages help us understand how certain products or platforms become dominant. First, product definitions and evaluations are embedded in broader industry recipes, beliefs, and ontologies, which create the conditions for some designs to become accepted or more valued than others (Porac, Ventresca, & Mishina, 2002). This cognitive embeddedness is described by Grodal and colleagues (2015) as a mutual influence between technology innovations and the emergence of new categories. According to their framework of the coevolution of technologies and categories, these are two sides of the same coin that *echo* each other during the divergence phase (i.e. the era of ferment).

Despite the fact that technology innovation provides a good framework to understand the early moments of new markets and industries, its evolutionary approach favors efficiency and neglects the importance of political processes. Moreover, regarding the early stages of market formation, the idea of ‘era of ferment’ remains silent to the variation in terms of ambiguity and contestation that we can find within that period.

Therefore, concepts such as the era of ferment and the dominant design become even more powerful when we acknowledge their embeddedness in social and institutional structures. In this sense, some authors have started linking technology innovation with political processes, such as social movements (Hargrave & Van de Ven, 2006; Pacheco, York, & Hargrave, 2014), and with the social and political skills of certain actors (Garud et al., 2002).

2.4.2 Social cognition

Sociocognitive research has contributed to the study of the early stages of market formation by highlighting that technologies, as well as the large technical systems that support those innovations (T. Hughes, 1983, 1987), are socially constructed (Grodal et al., 2015; Kaplan & Tripsas, 2008).

With their work on how the managerial perceptions from Scottish knitwear producers influenced the structure of the industry, Porac, Thomas and Baden-Fuller (1989) influenced a perspective on strategy and market formation that took meanings and perceptions seriously (Kaplan, 2011). These cognitive processes are even more important in the early stages of market formation, when high levels of ambiguity mean that product features and definitions are still in flux (Hannigan, 2012).

Santos and Eisenhardt (2009) showed that even in high technology markets these definitions and the boundaries of the market are unclear in the early moments, and

successful entrepreneurs end up doing a lot of work that is aimed at shaping the perceptions of their potential customers and building shared meanings in the nascent industry. Specifically, they suggested that firms tried to *claim* the market and become a cognitive referent by using templates, stories, and leadership signals that reinforced the identity of the market that suited their interests. Delmestri and Greenwood (2016) analyzed how grappa producers in Italy turned their low-status beverage into a high-status product by a process of recategorization, in which they used visual, material, and narrative strategies to emulate other high-quality, foreign spirits. Similarly, Khaire (2014) studied the beginnings of a high-end fashion industry in India and found the centrality of socio-cognitive processes such as curation and certification, commentary and critique, co-presentation, comparison and commensuration in establishing the worth of this new industry. These processes were carried out by “multiple field constituents, including the media” (p.42), in what she labelled as *distributed sanctification*, which is “the consecration (as worthy or valuable) of a novel entity by a set of disparate, specialized actors” (p. 42).

Therefore, sociocognitive processes are not exclusive of producers and entrepreneurs. Instead, it is precisely from the interaction of different market actors that shared meanings emerge (Grodal et al., 2015; Kaplan & Tripsas, 2008; Rosa et al., 1999). Rosa and colleagues (1999, p. 64) showed that the category of the *minivan* became “coherent as a result of consumer and producers making sense of each other’s behaviors”. Kaplan and Tripsas (2008) described the collective emergence of technological frames, and how the technical variation in the era of ferment is not random but influenced by actors’ framing and interpretation of the technology, which becomes very relevant in these contexts of ambiguous user preferences and product definitions.

In the last few years, sociocognitive research in strategy has emphasized the importance of categories, defined as “socially constructed partitions or taxonomies that divide the social space into groupings of objects that are perceived to be similar” (Suarez et al., 2015, p. 438). This literature has reinforced the idea that product categories are the result of cognitive as well as technological processes (Grodal et al., 2015), and that the early stages of market formation are periods of intensive activity in the construction of such shared understandings (Suarez et al., 2015). However, the focus on categories can leave aside broader cultural processes that take place at the macro-societal level (Friedland & Alford, 1991), and at the same time give scant attention to the market dynamics that take place before meaningful categories can be established.

This sociocognitive focus has meant an important contribution to the study of ‘early moments’, as it acknowledges not only the social construction of technology but also the importance of collective processes given that “the meaning resides in the social, not the individual” (Gray et al., 2015, p. 118; Hallett & Ventresca, 2006). Nevertheless, social cognition pays less attention to the politics involved in processes of market formation (Fligstein, 1996), as well as to what happens after the ‘collective agreement’ on certain meanings and categories. Therefore, taking into account the different interests and power imbalances, especially among incumbents and challengers (the latter often organized as social movements), will give us a more complete picture of the early stages of new markets.

2.4.3 Social movements

Social movement theory sees markets as “negotiated settlements (...) that arise from conflict” (Bartley, 2007, p. 299). As King and Pierce (2010) stated, “one need only turn on the evening news to see the contentiousness of markets”, often between those who

2. Theoretical Background

have “powerful incumbent interests and cultural anchors” and those actors who “must mobilize resources and promote change-oriented collective action” (p. 250). Researchers have long acknowledged that social movements impact firms, markets, and intermediaries such as regulatory and certification bodies in many ways (Soule, 2012). This challenging of the status quo was first understood as coming from outside of the market or organizational field (Sine & David, 2003; Sine & Lee, 2009), but recent research has also identified how social movements can act and induce change from within existing institutions (Rao, Monin, & Durand, 2003).

However, social movements also influence markets that are still in the making, precisely because in those years, the allocation of resources, the relations among actors, and their legitimacy, is still undetermined. During the early years of industry formation, different actors develop oppositional identities, challenge extant boundaries and beliefs, and ‘educate’ a demand that is still inchoate (King & Pearce, 2010), and it is in these environments where social movements thrive. For example, Lounsbury and colleagues (2003, p. 96) showed how the recycling social movement enabled the rise of a for-profit recycling industry by providing “meaningful models of appropriate action” – which they defined as *field frames*. Weber and colleagues (2008) described the role of social movements in fueling the cultural change that enables the birth of new industries. In the market for grass-fed meat and dairy products that they study, these efforts were instantiated in promoting entrepreneurial production, the creation of collective identities, and allowing regular exchange between producers and consumers. In these contexts of industry emergence, social movements can become an important source of legitimacy by mobilizing resources, creating support infrastructure, and “effectively altering systems of values and beliefs” so that they are aligned with the new industry’s offering (Pacheco et al., 2014, p. 1611).

2. Theoretical Background

Social movement approaches to market formation and transformation predominantly take on the ‘markets as politics’ approach described in the previous section (Fligstein & McAdam, 2012), but researchers have also linked social movements to culture and institutions. Pacheco and colleagues’ (2014) study of the wind power industry in the United States shows the coevolution of social movements and institutional arrangements, which become intertwined in processes of industry emergence. Hargrave and Van de Ven (2006) also brought together the social movement and institutional literatures to present the emergence of organizational fields as the result of collective action, a dialectical process by which opposing groups drive institutional innovation.

Social movements also create the cultural awareness that allows for new fields or markets to emerge, as in the cases of corporate environmentalism or renewable energies (Hoffman, 1999; Sine & Lee, 2009). For example, Weber and colleagues (2008) showed the importance of mobilizing “cultural codes” for the emergence of the systems of meanings that support new markets.

One of the problems with social movements and new markets being so intertwined is that it is possible to mistake one for the other (Déjean, Giamporcaro, Gond, Leca, & Penalva-Icher, 2013). In her account of the rise of socially responsible investment (SRI) in France, Arjaliés (2010) described it as a social movement trying to influence the incumbent financial markets. However, Déjean and colleagues (2013) argued that she was calling SRI a social movement when it was actually a market in and of itself. Her article assumed two things that can be problematic when studying the early moments of market formation and the impact of social movements. First, that SRI was a coordinated movement with a clear identity, and second, that markets have stable institutions with clear rules of the game and systems of meaning. Instead, on the one hand, SRI was a very loosely coordinated movement that was actually being co-opted by mainstream financial

institutions (Déjean et al., 2013). On the other hand, nascent markets are very often socially diverse, culturally ambiguous, and politically contested. For this reason, the social movement metaphor of market formation (Fligstein, 1996) is very useful but it should not make us forget that new markets are always in flux and contested, either with coordinated social movement activity or without it.

A similar point is made by Schneiberg and Lounsbury (2008, p. 667), who brought together social movement and institutional theories to advocate for a perspective that “celebrates the heterogeneity of actors, multiple logics and practice variation” and presents fields as sites of “ongoing struggles and contestation”. However, portraying markets as sites of permanent contestation between incumbents and challengers can hide the important role played by other actors – such as intermediaries – and neglect other relations that are based in collaboration as much as in confrontation.

The social movements approach brings to the fore processes of framing and collective action, the role of challenger actors (as opposed to the state, professional bodies and other incumbent organizations), and a focus on contestation and contradiction as key field-level characteristics (Schneiberg & Lounsbury, 2008). Moreover, this can be complemented by the analytical edge brought by institutionalism, which highlights the importance of ‘higher order’ processes in which organizations – and social movements – are embedded, and that often present certain paths and interests as taken-for-granted while rendering others as irrational or unthinkable (Schneiberg & Lounsbury, 2008, p. 651).

2.4.4 Institutional theory

Institutional theory has traditionally focused more on processes of diffusion and change than on the genesis of new institutions, despite recent calls for the need to understand processes of institutional emergence (Colyvas & Maroulis, 2015; Lawrence, Suddaby, &

Leca, 2011, p. 55; Padgett & Powell, 2012a). However, under the rubric of *institutional change* we find studies that explore institutional transformation and from which we can gain important insights about the early moments of new institutional fields (Lawrence, Hardy, & Phillips, 2002; Leblebici et al., 1991). In this section, and also with further detail in Chapter 6, I review how actor-centric approaches such as institutional entrepreneurship (Garud et al., 2002; Maguire, Hardy, & Lawrence, 2004) and institutional work (Slager et al., 2012; Zietsma & Lawrence, 2010) account for the formation of new institutional arrangements.

Institutions are the formal rules, the more-or-less taken-for-granted norms, and the cultural values and beliefs that guide the actions of individuals and organizations in a specific social space (Greenwood et al., 2008; Scott, 1995). Although institutions have sometimes been understood as mere constraints to human and organizational agency, they are also generative for organizational activity (Barley & Tolbert, 1997; Dacin, Ventresca, & Beal, 1999), especially in cases where different institutional logics overlap in a more or less contentious manner (Friedland & Alford, 1991; Greenwood et al., 2011).

Institutionalists have theorized about the origins of new institutions being exogenous or endogenous to a certain field. Meyer (1982) presented exogenous forces as *environmental jolts*, which he defined as “transient perturbations whose occurrences are difficult to foresee and whose impacts on organizations are disruptive and potentially inimical” (p.515). These external shocks include new regulations, boycotts, or changes in consumer behavior, which have an effect over an industry or field as a whole rather than on specific organizations and hence change the whole institutional environment (A. Meyer, Brooks, & Goes, 1990). These jolts “mobilize actors to reformulate institutions” (Sine & David, 2003, p. 185) and are perceived and experienced in different ways by organizations and

individuals depending on their field positions and internal characteristics (Sine & David, 2003; Townsend & Hart, 2008).

Institutional theorists have also suggested endogenous explanations of institutional emergence and change for many years (Leblebici et al., 1991; Seo & Creed, 2002). Some of these accounts came as a reaction to institutional research where actors were absent of the mechanisms at play, and therefore give preeminence to the actions of individuals. The *institutional entrepreneurship* approach argues that certain actors are capable of imagining and building new institutional arrangements (Maguire et al., 2004). This concept has its origins in DiMaggio (1988), who defined institutional entrepreneurs as “organized actors with sufficient resources” who give rise to new institutions because they “see in them an opportunity to realize interests that they value highly” (p. 14). Another approach that looks at actor-driven processes of institutional transformation is *institutional work* (Lawrence, Leca, & Zilber, 2013; Lawrence & Suddaby, 2006; Lawrence et al., 2011). Defined as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006, p. 215), institutional work maintains the assumption of institutional entrepreneurship that some actors have clear purposes which can be disentangled from the norms and values that are legitimate in a social context (Hwang & Colyvas, 2011). However, it emphasizes the understanding that every context has at least the legacy of previously dominant or adjacent institutional logics (Raynard, Lounsbury, & Greenwood, 2013) rather than being institutional voids (Mair & Marti, 2009; Mair et al., 2012), and hence that prior settlements need to be deconstructed and reassembled before building new institutional arrangements (Seo & Creed, 2002). Recent theorization around institutional work has included both intended and unintended consequences of actors’ strategies, for example in

the case of setting a new standard in the field of responsible investment (Slager et al., 2012).

Critiques of these ‘entrepreneurial’ approaches have asked “how institutional change is possible if actors’ intentions, actions, and rationality are conditioned by the institutions that they wish to change” (Leca & Naccache, 2006, p. 628), sometimes called the paradox of embedded agency (Battilana & D’Aunno, 2009). Proponents of institutional entrepreneurship have pointed to their social position (Battilana, 2006) or their ability to bridge between different fields (Greenwood & Suddaby, 2006) to understand how some resourceful actors can free themselves from institutional demands and hence devise and build new institutions that better suit their interests (Battilana, Leca, & Boxenbaum, 2009).

Another set of endogenous explanations of institutional change has been more focused on field-level processes rather than starting from actors’ individual interests and purposes (Dorado, 2005). Some authors have suggested that new institutions arise after significant experimentation, so the focus changes from purposeful institutional building to *distributed variation* that ends up coalescing into a legitimate form in a given context. As Lounsbury and Crumley (2007) argue, “the emergence of new practices results from spatially dispersed, heterogeneous activity by actors with varying kinds and levels of resources” (p. 993). Linking to the sociocognitive approach mentioned above, this perspective argues that distributed experimentation is not meant “to evolve gradually to fit the technical and economic constraints of environmental niches” (A. Meyer et al., 1990, p. 96), but instead to evolve through mutual awareness, repeated interactions, and collective framing (Kaplan & Tripsas, 2008; Porac et al., 1989; Rosa et al., 1999). Recently, other authors have given more relevance to the network structure of social spaces and described institutional emergence as *auto-catalysis*. This perspective has been

put forward by Padgett and Powell (2012a), and it focuses not on individual and organizational interests and strategies, but rather on processes that take place at a more collective level. In this case, they emphasize the role of networks and argue that transformation is driven not only by distributed variation but also from the relations between those nodes and their potential “chain reactions” (p. 9). However, the mechanisms at play also include social interactions and cognitive processes, which “are not simply an aggregation of individual preferences or actions” (Colyvas & Maroulis, 2015, p. 603). These catalytic processes have been found to be important both in the transformation and in the rise of new fields (Padgett & McLean, 2006; Sgourev, 2015).

One of the deficits of institutional theory in the study of field emergence is that it tends to take institutional fields as a given, as an already set of actors and relations. Instead, the boundaries of new fields – and hence the definition of who is in and who is out – are fuzzy and contested (Anand & Watson, 2004). Moreover, institutional theorists have moved in their explanations of market dynamics from field-level to organization- and individual-levels of analysis but giving scant attention to how these multiple levels interact or how they are mediated.

2.4.5 Unpacking and resolving ambiguity

Apart from summarizing the strengths and weaknesses of these different perspectives on the early moments of market formation, in this section I go one step further and interrogate how each theory defines ambiguity and how they expect it to be resolved over time (see Table 2.2 for a summary), countering their arguments and paving the ground for my theoretical contributions. Although much research on markets and fields has focused on uncertainty as something that can be measured and reduced by increasing the available information (Knight, 1921), the four literatures I have analyzed take on the

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Knightian version of uncertainty, which is often referred to as *ambiguity* and defined as “the presence of plural, often contradictory logics and practices in the order of things that are not corrigible through increments of information (Ventresca & Levin, 2004, p. 1).

In the literature on technology innovation, ambiguity is understood as the lack of a common technology or platform and the absence of recognizable product features (Hannigan, 2012). Its resolution comes with the appearance of a dominant design that is followed by rapid market growth until the point of maturity and stability (Anderson & Tushman, 1990; Suarez et al., 2015), but the focus on path dependencies and technological trajectories often obscures the importance of power imbalances in the adoption of one particular platform/design over another. In the tradition of social cognition, ambiguity is defined as the lack of shared meanings around market features, which is solved after continued interactions among different market actors (Rosa et al., 1999; White, 1981). Over time, meanings become agreed-upon and hence fixed in certain categories (Weber et al., 2008), but this research pays limited attention to ongoing dynamics of disagreement and criticism that challenge standard definitions and reduce them to temporal settlements. For theorists of social movements, ambiguity is related to the lack of clear and stable power relations (Lounsbury et al., 2003). After this initial period, some organizations gain power and centrality and end up dominating the field, producing known and accepted incumbent-challenger relations (Fligstein, 1996; Sgourev, 2013), but the focus on field-level contestation sometimes ignores parallel processes of collaboration and cooperation among different market actors. Finally, in institutional theory ambiguity is understood as the lack of well-established norms and practices (Hajek et al., 2011), which takes place when certain routines and standards become engrained in organizational activity (Slager et al., 2012). After this process of institutionalization, norms and practices are assumed to become taken-for-granted and hence difficult to

modify (DiMaggio, 1991), which often prevents researchers from understanding field-level convergence as only a temporal settlement that can be challenged by peripheral actors.

Table 2.2: Ambiguity according to different theories of market formation

Theory	What is ambiguity?	How is it resolved?	What happens next?
Technology Innovation	Lack of common technology and product features	A dominant design appears and the industry coalesces around it	Rapid market growth and then stability
Social Cognition	Lack of shared meanings around market features	Continued interactions among market actors shape meanings	Meanings become fixed and agreed-upon
Social Movements	Lack of clear and stable power relations	Some organizations gain centrality and dominate the field	Stable incumbent-challenger relations
Institutional Theory	Lack of institutionalized norms and practices	Certain routines and standards become engrained in organizational activity	Norms and practices become taken-for-granted

As we have seen, these different theories propose, with different idioms and approaches, that initial ambiguity is resolved at some point and followed by stability. With my research, I question this evolutionary perspective that encapsulates ambiguity as

something that is only relevant during the very early moments of market formation and which then disappears. Instead, I will suggest that not only can ambiguity evolve differently and at a different pace across a set of market features, but also that its resolution can be followed by a period of criticism and contestation rather than stability.

2.4.6 Advancing research on market formation

Apart from the specific questions around ambiguity in processes of market formation, specifically its definition, resolution, and subsequent developments, I find three points that merit further attention within the context of the sociology of markets: cross-domain perspectives on market development, multilevel explanations of field emergence and change, and mediating actors and mechanisms. These approaches will help us deepen our understanding of market dynamics, and especially grasp the inner workings of the early moments of market formation.

First, there is a need of combining different perspectives from the sociology of markets in order to highlight their individual strengths and limitations. As we have seen, researchers often look at the process of market or field emergence from one or another perspective – technology, cognition, politics, institutions – and provide important insights for an integrated picture of market formation. However, to really understand how these processes unfold we need to see the interactions and complementarities among the different domains. Some researchers have indeed started working in this direction, and their studies have shown the promise of such combination of perspectives.

Most of this cross-domain research has involved bringing together two theoretical approaches, like technology and cognition (Grodal et al., 2015), or social movements and institutions (Pacheco et al., 2014). However, scant research has empirically addressed a multifaceted perspective that encompasses the three main approaches within the

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sociology of markets: networks, culture, and politics (Fourcade, 2007). Santos and Eisenhardt (2009) provide a compelling exception, as they present how entrepreneurs in nascent markets need to work in different areas to become industry leaders. In the domain of cognition, they can shape and promote a certain identity for themselves and for the market (*claiming* the market); in the domain of relationships, they can develop alliances with other actors (*demarcating* the market); and in the domain of resources, they can make acquisitions to increase market power (*controlling* the market). Mair and colleagues (2012), in their study of how the local agency BRAC in Bangladesh redefined the market infrastructure, also point at mechanisms that are anchored in networks (e.g. creating spaces for interaction or expanding resource systems), power (e.g. redefining local arrangements), and culture (e.g. recombining norms and traditions). Finally, Brès and Gond (2014) is another example of a cross-domain approach to market emergence. In their research of the rise of the CSR consultancy market in Canada, they describe how consultants do work related to cultural aspects (as issue translators), to networks (as boundary negotiators), and to power (as regulation enactors).

The richness of these studies, which highlight the overarching role of specific organizations (entrepreneurs, local agencies, consultants) shows the importance of bringing a broad theoretical mindset when studying the early moments of market formation and the role of certain actors in such contexts.

Second, there is the need to offer multilevel accounts of market formation. As Thornton and colleagues (2012, p. 14) suggest, “researchers that combine multiple levels of analysis in their research are more likely to observe a more accurate picture”. While some scholars have called for and engaged in this type of multilevel analysis (Gray et al., 2015), in many occasions the focus on individual or organizational levels of analysis has meant the disregard of higher-order processes. In other cases, economic sociology has focused its

attention on broad cultural, political, and social processes at the expense of understanding the role of specific organizations.

The latter has been especially stark with certain institutional approaches that assumed diffusion and isomorphic processes as almost inevitable (Schneiberg & Lounsbury, 2008; Thornton et al., 2012), but some of the ‘standard’ accounts in the sociology of markets (embeddedness in cultural values and social structure, relation between incumbents and challengers) also tend to be detached from organizational mechanisms. However, we need to remember that organizations not only reflect higher-order processes but they also play a role in those field-level dynamics (Dacin et al., 1999).

Despite the fact that organizations and individuals need not be portrayed as all powerful actors, economic sociology needs to acknowledge that they provide the inner workings for the building of new markets and fields. For some years, researchers have started inquiring in this direction, focusing on knowledge regimes (Campbell & Pedersen, 2014), nation-states (Dobbin, 1994), entrepreneurs (Santos & Eisenhardt, 2009), brokers (Sgourev, 2015), or off-path organizations (Schneiberg, 2007). These accounts of market dynamics give life to the theoretical approaches of markets as networks, politics, and culture, and show that field-level processes can be enacted by different types of actors and in different forms. This approach is even more relevant when studying the early moments of market formation, as the ambiguity and the lack of clear guidelines for action give organizations and individuals more discretion when responding to institutional demands (Friedland & Alford, 1991; Greenwood et al., 2011).

Because of this heterogeneity and ambiguity that characterizes market emergence, understanding organizational processes is often best achieved with qualitative methods, as it is by talking to or observing what people and organizations do that researchers can

grasp the role they play in broader market dynamics (Santos & Eisenhardt, 2009; Smets, Morris, & Greenwood, 2012).

However, the focus on organizations and individuals should not be at the expense of taking into account their embeddedness in social and cultural structures, which means that researchers need to include in their analysis those “forces that lie beyond the organizational boundary, in the realm of social processes” (Hoffman, 1999). This combination of institutional and organizational processes will provide more comprehensive accounts of the dynamics in the early moments of market formation (Schneiberg & Soule, 2005).

One way forward to address this gap in the literature is to start by looking at the type of contexts that are more conducive for the emergence of new institutions and then focus on what organizations will be more relevant in those processes of emergence. For example, Padgett and Powell (2012a) speak about the ‘poisedness’ of certain contexts, but they focus specifically on network connections across levels of analysis. From an institutional perspective, we are often left to choose between field-level and actor-centric accounts of field evolution, but nascent markets provide an example of how to connect these two seemingly irreconcilable approaches.

As I will detail in Chapter 6, insights from the literature on institutional complexity remind us that contexts at the intersection of multiple logics can be especially fruitful for innovation (Jay, 2013), while ambiguity and fragmentation are also characteristics that favor the emergence of new practices and fields (Sgourev, 2013). Paralleling the concept of ‘era of ferment’ from the literature on technology innovation, which corresponds to a period with high levels of experimentation and innovation, we can speak about *contexts of ferment* when referring to those spaces that are conducive for the rise of new forms of

organizing. Having this focused starting point will allow me to develop, in the remaining of Chapter 6, a framework that needs field-level conditions, interorganizational processes, and organizational mechanisms.

Finally, the sociology of markets needs to incorporate those intermediation mechanisms that are located between different levels of analysis. Some researchers have already pointed in this direction when highlighting the importance of translation (Sahlin & Wedlin, 2008), theorization (Greenwood, Suddaby, & Hinings, 2002), lobbying (Morgan, 2008), or convening (Dorado, 2005; Mair & Hehenberger, 2014). These processes share the idea that the link between macro-level processes and organizations is seldom direct, but instead it is mediated by different mechanisms that are supported or directly carried out by organizations that can be labelled as intermediaries. For example, the concept of translation reminds us that ideas or practices are not just diffused from one organization or setting to the next, but they need to be adapted to local communities and contexts (Heinze, Soderstrom, & Heinze, 2016). As Sahlin and Wedlin (2008, p. 219) said, “to imitate, then, is not just to copy, but also to change and to innovate”.

If translation is important to understand how a dominant institution is spread to other settings, other processes become more relevant in contexts of field emergence or transformation, where there is more ambiguity about meanings and practices. For example, Greenwood and colleagues (2002) showed the role of professional associations in endorsing local innovations that ultimately led to institutional change; Morgan (2008) described the soft power used by a trade association to impose certain regulation that drove change in the derivatives market; and Mair and Hehenberger (2014) showed different types of convening that were important in the birth of the venture philanthropy sector.

In the next section I delve into how the network, cultural, and political approaches of the sociology of markets can help us rethink current theories of intermediation.

2.5 Intermediation

2.5.1 Current theories

Economic theory has traditionally depicted intermediation as a linear relation, where the intermediary is the middle man between the seller and the buyer. The role of the intermediary is there understood as someone who brings efficiency to the market by lowering transaction costs, usually decreasing information asymmetries and increasing trust (Allen & Santomero, 1998; Gurley & Shaw, 1960). Reaching economies of scale and transferring risk are also some of the functions of these intermediaries (Yanelle, 1989), as well as bringing equilibrium at the market level (Spulber, 1996). Some authors have also noted that financial intermediaries have been central in creating and spreading complex financial products (Allen & Santomero, 1998), which despite their supposed efficiency have had disastrous unintended consequences in the global economy (Lounsbury & Hirsch, 2010).

Network theories take into account the importance of broader networks, and define intermediaries as those individuals or organizations connecting different nodes or networks. In this approach, the role of intermediaries is based on their structural position and most valued when they are located in structural holes and hence broker disconnected networks, as they have better access to information and other resources (Burt, 1992; Fernandez & Gould, 1994). One perspective is that intermediaries extract advantage by bridging structural holes (Burt, 1992), while the other is that they can benefit the whole

network by being a joining force (Khurana, 2002; Obstfeld, 2005) and becoming a source of innovation (Hargadon & Sutton, 1997).

2.5.2 Rethinking intermediation

Both these views – economic and network theories – have their limits. Many scholars have shown cases where intermediation processes go beyond individual transactions or structural relations and instead their role is to mediate between organizations and their institutional environments (Hoffman, 2001). This kind of mediation can be very powerful, as it means shaping the networks, cultural contexts, and institutions in which markets and fields are embedded, and ultimately affecting who is in, who is out, and what are ‘the rules of the game’ (Lounsbury et al., 2003; Quinn, 2008).

The multifaceted nature of the sociology of markets helps us dig into these network, cultural, and political perspectives on intermediation and intermediary organizations, as well as their role in the early moments of market formation.

We find authors like Mair and Hehenberger (2014), who showed how a trade association played a central role in configuring the sector of venture philanthropy by leveraging *networks* and organizing front- and back-stage field events. Pollock and colleagues (2004) portrayed investment banks as the ‘network architects’ that constructed the market for IPOs (Initial Public Offerings) in the United States. And Mair and colleagues (2012) found that the local agency BRAC redefined market architecture in Bangladesh by challenging the role of certain actors and reconfiguring local networks.

From the *cultural* perspective, there are authors like Suchman (1995) who portrayed lawyers’ work in Silicon Valley partly as “constructing the cultural milieu”, Anand and Peterson (2000) showing how the Billboard magazine actually set the boundaries of the market by defining music categories, and Zuckerman (1999) who highlighted the role of

financial analysts in legitimating certain industry categories. Other authors combined multiple perspectives and found that culture and meanings were an important part of intermediation processes. For example, Mair and colleagues (2012) emphasized BRAC's development of sensemaking capacity, and Brès and Gond (2014) how consultants shaped the social and environmental issues that became central to the CSR field.

Finally, within the perspective of markets as *politics* we find Morgan (2008) showing how the International Swaps and Derivatives Association used soft-power strategies to change the regulation in its market. We also find that the nature of the microfinance field changed because some organizations imposed certain metrics (Kent & Dacin, 2013), and that lobbying for regulatory changes can eventually shift the logic of a market (Haveman & Rao, 1997). Similarly, Mair and colleagues (2012) found that BRAC was able to recombine taken-for-granted norms, while Brès and Gond (2014) showed how CSR consultants shaped their regulative environment. Giamporcaro and Gond (2016, p. 484), when linking the politics of markets with insights from the performativity literature, portrayed "calculative agencies" (e.g. rating agencies) as intermediaries that play a central role in defining the rules of the game.

As we have seen, some researchers anchor their studies in one perspective, while others proceed with an eclectic approach. In this sense, Mair and colleagues (2012) and Brès and Gond (2014) have recently addressed the different roles that some intermediary organizations (a local NGO and a group of consultants, respectively) had in developing different markets, and the mechanisms they found out in both cases were based on a combination of defining the rules, relations, and meanings.

Other researchers have also addressed specifically the role of intermediaries beyond brokering and networking in the context of open innovation (Agogué, Yström, & Le Masson, 2013), and some have coined the term 'institutional intermediaries', in the

context of emerging markets, as those “agents whose activities have the potential to create commercial institutions that allow actors to carry out business activities” (Dutt et al., 2015, p. 3).

This dispersed body of literature illustrates similar processes and mechanisms, but the language of *intermediation* is not always present – probably because we are used to theories of intermediation that are too narrow. To address that mismatch, there is a need to look at intermediation more broadly, as part of market-building processes. I therefore highlight the importance of a systemic approach to intermediation process that includes network, cultural, and political elements and which emphasizes the mechanisms through which intermediaries build and shape their environments and ecosystems.

2.6 Research Questions

The aim of this chapter has been to offer a focused review of the literature on the sociology of markets and to frame the research questions of the thesis, which I specify below.

The question of how markets form has been debated in the social sciences for many decades. If economists tend to think about markets *as if* they were the natural consequence of self-interested producers and utility-maximizer consumers meeting to exchange products and services, sociological approaches problematize many of the assumptions required for economic models to make sense (Hirsch et al., 1987). Are market actors really independent? What logic or rationality do they follow? Are there other important actors apart from supply and demand? How do historical and geographical contexts affect market boundaries and features? How do power imbalances impact market dynamics?

2. Theoretical Background

Most of the learnings from past research on the sociology of markets can be grouped in the three perspectives on market formation that we have reviewed in previous sections: markets from networks, markets from culture, and markets as politics (e.g. Fourcade, 2007). We have seen that these three approaches are complementary but also highlight different aspects of how markets work and develop: they are embedded in a social structure that enables exchange and other market relations (Granovetter, 1985); they are embedded in a cultural context that shapes the range of possible and legitimate market practices (Zelizer, 1978); and they are the consequence of a contested process between incumbent and challenger organizations (Fligstein, 1996). The combination of these perspectives has led researchers to study *markets as fields* (Fligstein, 2001a; Quinn, 2008), understanding markets “as arenas of social interaction for the exchange of goods and services” (Beckert, 2010, p. 609) and focusing more on the social forces that structure those spaces than on the specific exchanges that take place.

This approach is especially relevant in periods of market formation and transformation, before some temporary settlements are ‘agreed upon’ among market actors (Beckert, 2009). Studying these early moments of markets and fields requires engaging with their ambiguity and lack of clear boundaries, which makes it harder for researchers. However, it is necessary if we want to capture the range of possibilities and the variation that is present during periods of ferment, without being biased by the practices, the stories, and the actors that eventually became dominant.

For this reason, I leverage the tradition of the sociology of markets to study nascent markets from a cross-domain approach that builds on – but also challenges – technological, sociocognitive, social movement, and institutional perspectives. As we have seen in the previous sections of this literature review, these theories have partial (i.e. focused on one market feature) and limited (i.e. short-term) conceptions of the role of

ambiguity, which leads me to ask: *How is ambiguity resolved in the early stages of market formation?* The empirical evidence comes from a field-level, longitudinal study of the social investment market in the UK between 2000 and 2015, which I use in Chapter 4 to explore the evolution of ambiguity around the rules, identities, practices, and dominant actors that define this market.

Another topic that merits further attention in the context of market formation is, as we have seen, the role of intermediary organizations. Current theories of intermediation present limits for our understanding of market dynamics. For economists, intermediation is a function that appears naturally between supply and demand when transaction costs are low enough and a third party is able to make a living by ‘buying cheap and selling high’ (Spulber, 1996). For network theorists, intermediaries or brokers leverage their position in a network to gain advantage for their interests, which is possible especially when they are located in structural holes (Burt, 1992). Although network approaches have pointed at different types of brokerage (Gould & Fernandez, 1989), the focus is generally on the structure of relations and it leaves out broader cultural and institutional forces.

Therefore, I have turned to a more dispersed body of literature that shows how intermediary organizations are important in defining the features of the fields they inhabit, especially in periods of flux and transformation (Anand & Peterson, 2000; Brès & Gond, 2014). However, these studies are always limited to a specific type of intermediary (financial analysts, consultants, trade associations, etc.), and there is a lack of a more comprehensive account of what intermediaries do in contexts of field-level transformation. In this thesis I contribute to theories of intermediation and market formation by asking: *What role(s) do intermediaries play in the early moments of market formation?* I address this question in Chapter 5, where I look at how social investment intermediaries have driven the development of this field in the UK.

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The literature review has also highlighted the need for multilevel approaches to the study of organizations and fields, as emphasized by the calls from different scholars in this direction (Gray et al., 2015; Thornton et al., 2012). While institutional theory has been critiqued for remaining inattentive to organizational processes and within-field variation (DiMaggio, 1988; Thornton et al., 2012), others have argued against portraying organizations and individuals as all powerful actors (Friedland & Alford, 1991; Sahlin & Wedlin, 2008). Recently, some researchers have shown that encompassing different levels of analysis provides more fine-grained accounts of interorganizational processes (Gray et al., 2015; Tracey et al., 2011), as macro and micro processes are interrelated and often mediated by different mechanisms (Kraatz, Ventresca, & Deng, 2010).

The early moments of new markets and fields are complex and ambiguous settings, and hence multilevel approaches will enable researchers to capture and distil that complexity. Therefore, the question that arises is: *What is the relation between field-level conditions, interorganizational processes, and organizational mechanisms in the emergence of new fields?* In Chapter 6 I provide a multilevel framework that explores how intermediation links macro and micro processes in certain contexts and hence drives institutional emergence.

Finally, an overarching question in the thesis is *how sociological accounts of market formation can be strengthened by a closer look to organizational and interorganizational processes*. In Chapter 7 I discuss the contributions of this organization-rich approach to the early stages of new market and I provide a set of avenues for future research.

3 Methodology

3.1 Introduction

This chapter discusses the research design employed to answer the research questions. I begin by arguing for the importance of doing field-level, longitudinal studies of contexts of market emergence. To study this complex and ambiguous processes we need to capture the variation in products and practices that is present in the early moments and that would be missed with cross-sectional approaches or short windows of observation. Moreover, because of the lack of meaningful and comprehensive databases in these periods of ferment, it is often appropriate to conduct qualitative studies that allow for capturing the construction of meanings and to interpret how the different actors participate in and make sense of those market building processes.

I then offer a description of the research context – the social investment market in the UK – and I discuss why it is a unique setting to study market emergence: it sits at the intersection of the social, financial, and public sectors; it has experienced sustained and varied activity during the past 15 years; there is good access to rich sources of information; and it is of great importance to different actors such as policy makers, institutional and individual investors, and social sector organizations.

Finally, I present the strategy for data collection (interviews, archival data, participant observation, and different online sources) as well as an overview of how the data has been analyzed.

3.2 Research Design: Studying Early Moments

In the previous chapter we have seen that studying the early stages of market formation is as necessary as it is challenging. The features that make nascent markets appealing and informative for economic sociology and organization theory – ambiguity and contestation – also make them more elusive for researchers. Ambiguity, which is characterized by an undefined market structure, unclear product or service definitions, and a lack of a dominant logic (Santos & Eisenhardt, 2009) means that finding appropriate data sources (comprehensive databases, relevant actors for interviewing, unbiased archival material) can be a difficult task. Contestation, which takes place when different individual or collective actors start pushing for their own definition, also means that drawing the boundaries of the nascent field will probably be challenging and easily influenced by success bias (history is, as we know, written by the victors).

The complexity of these settings makes them amenable for longitudinal, qualitative, field-level studies, in which the researcher can capture the social construction of meanings as well as the interrelation between networks, culture, and power. Organization theorists have often leveraged the rich and situated information of certain fields in periods of transformation, in order to explain processes of institutional emergence and change (Greenwood et al., 2002; Leblebici et al., 1991; Maguire et al., 2004; Reay & Hinings, 2005). In most cases, scholars combine interview and archival data to inform their interpretive approaches, as the ambiguity of these contexts often prevents from having homogenous and reliable quantitative databases.

In the specific case of studying nascent markets and fields it is important to capture the variation that is present in those early days of field formation, so that we can understand the range of possibilities that existed before a certain practice or approach became

dominant (Mohr & Guerra-Pearson, 2010). To seize this initial diversity we are better equipped with a field-level approach, rather than a single case study of one organization or a multiple case study of a small number of organizations. The latter approaches would work well for understanding the role of specific organizations, as well as the similarities and differences between two or three types of organizations, but in contexts of early market formation it is difficult to know what organizational forms will become more important for the development of the field. Therefore, exploring the actions of a wide range of market players, discourses, and perspectives is a more robust approach for gaining insight on the inner workings of those early stages.

Regarding the setting for empirical research on the early moments of market formation, there are three characteristics that are of vital importance: the context should be recent enough, long enough, and relevant enough. First, it will be difficult to study the early stages of a field that took place many decades ago. Although nowadays industry activities are often registered in different forms – newsletters, conference presentations, e-mails, reports, etc. –, it will be harder to access this type of material for older periods of time. In addition, having access to the people who took part in those events is a valuable source of information, and these data sources certainly become more difficult to access as the period of interest goes back in time. Therefore, having an empirical context that is recent enough allows for a detailed reconstruction of the variation and possibilities of the market dynamics in those early days.

Second, processes of field formation usually span more than one decade (Hoffman, 1999; Leblebici et al., 1991; Lounsbury et al., 2003), so the ‘window’ that researchers look at needs to be long enough to capture those market dynamics. It is often problematic to put a ‘start’ date in such complex processes of market formation, so it is worth that the observation period includes different ‘moments’. For some years we will probably find

little and disconnected activity in relation to the topic of study, maybe originating in adjacent and more established fields, while for some other years we will find more sustained and focused activity, with increased interaction among market actors and overlapping of meanings. Therefore, looking at periods that are too short might mislead researchers about the relevant processes, their origins, and the actors involved.

And third, it is worth that the empirical context be important enough for two reasons. On the one hand, it will mean that more information will be available for the researcher. If early moments of market formation tend to produce scant information because of the ambiguity around definitions and boundaries, studying a market that is relevant for certain sectors or industries will increase the probabilities of finding reliable and accessible data. On the other hand, if the market is important it will mean that different actors will have something at stake on its future development, and hence it will reflect not only the characteristic ambiguity but also a level of contestation that can better inform the political processes that take place in these contexts.

In the following section I describe the social investment market in the UK and I argue that its characteristics make it an exemplar setting for studying processes of market formation.

3.3 Research Context: Social Investment in the UK

3.3.1 Origins and boundaries

Using blended or hybrid approaches to address social challenges has been *en vogue* for many years. Well-known examples include microfinance, which initially developed as a tool for development in Bangladesh and Latin America to offer financial services to the

poor (Khavul, Chavez, & Bruton, 2013); social entrepreneurship, which embraces the idea of using business methods to tackle social needs and was spearheaded by Ashoka and other organizations (Bornstein, 2004); different types of public-private partnerships, which have allowed governments to leverage business acumen for the delivery of public services (Saz-Carranza & Longo, 2012); and environmental initiatives such as the carbon markets, which intend to use the power of financial markets to reduce pollution and deforestation (Hajek et al., 2011).

More recently, we have witnessed increased interest in another hybrid practice, especially from investors, policy makers, and the social sector: investments targeting both financial returns and social impact. The Rockefeller Foundation and JP Morgan were among the institutional investors that drew global attention to this practice. The Rockefeller Foundation organized two landmark conferences in Bellagio, Italy, in 2008 and 2009, where they gathered different actors interested in driving the sector forward (Freireich & Fulton, 2009). JP Morgan was among the first financial institutions in setting up a Social Finance group, and its yearly reports and surveys have become industry standards for some market segments (JP Morgan, 2010). Some years earlier, in the UK, Sir Ronald Cohen was already mobilizing his colleagues from the venture capital industry and other actors to explore how financial tools and practices could be adapted to better serve the social sector while still providing returns for the investors (Social Investment Task Force, 2000). In parallel, European philanthropic foundations and private equity firms were debating about how the third sector could benefit from using a venture capital approach: high engagement between donors and nonprofit organizations, large donations given out in different installments following certain metrics or milestones, and donations aimed at increasing organizational capacity instead of only at program delivery (Mair & Hehenberger, 2014; Scarlata & Alemany, 2010).

The interest from the public sector has also been significant in the global scene and particularly in the UK. In 2013, the G-8 (in this case, minus Russia but plus Australia) launched the “Social Impact Investment Task Force”, by which these countries committed time and resources to explore how this new market could be implemented in their territories (Social Impact Investment Taskforce, 2014). The recommendations of the reports, which included using pay-for-success commissioning, setting up a social investment wholesaler, and clarifying the fiduciary responsibilities of trustees, show the commitment of the different national governments. Furthermore, this taskforce evolved into a global steering group that has been joined by other countries such as India, Brazil, Israel, Mexico, and Portugal. In the UK, the interest from policy makers was patent more than a decade earlier, when then Chancellor of the Exchequer Gordon Brown endorsed the Social Impact Investment Task Force promoted by Sir Ronald Cohen in 2000, as well as with other interventions in the form of direct investment, specific regulation, or industry consultations. In fact, many of the recommendations from the G-8 Task Force in 2014 were inspired by the UK’s experience in the previous decade.

As the recipient of a good part of these social or impact investments, the social sector (including social enterprises, charities, and community organizations) has also shown a lot of interest in how this market develops. While in other countries such as the United States or the Netherlands the focus started on financing organizations and projects in developing countries, in the UK it has mostly been centered in providing resources for domestic social sector organizations. Nesta, Social Enterprise UK, the Young Foundation, and other organizations have carried out research on how social investment can help work in education, with the youth, and for charities more generally, and representatives of the Charity Commission and different charity networks and associations have participated in the taskforces and commissions that have been most influential in the sector.

While this interest from different constituencies has fueled the sector with endorsement and resources, it has also meant that different approaches to the practice of blending financial returns and social impact have coexisted for the last few years. The two main perspectives can be labelled as social investment and impact investment, although these terms are often used interchangeably and hence the boundaries are far from clear (Daggers & Nicholls, 2016). Table 3.1 summarizes the main differences between the two approaches.

Social investment is the language that is used most often in the UK, defined by Big Society Capital as the market “through which charities and social enterprises can access appropriate and affordable finance and support to grow their positive impact on society” (“Big Society Capital,” 2016a). The focus is on how to provide funding for social sector organizations in the UK, such as charities, community organizations, Community Interest Companies (CICs), and other types of social enterprises. Originally, the aim of social investment was “to create wealth, economic growth, employment and an improved social fabric” (Social Investment Task Force, 2000) in the most deprived communities in the country, and initial recommendations from the Social Investment Task Force in 2000 included tax incentives, new funding for community development, and support for financial inclusion. However, over time this geographic focus on the poorest communities moved to a focus on the social sector more generally and targeting organizations with clear social missions. Therefore, the emphasis was not on the investor, which could include government agencies, private foundations, or commercial banks, but on the investees. Attention is given especially to their form of incorporation, as a nonprofit structure or asset lock is seen as proof of their social motivation and these organizations represent 70% of the market (Big Society Capital, 2016b). In terms of financial products, the majority corresponds to lending from social banks and social investment funds, with

increasing importance of social housing, community shares, charity bonds, quasi-equity, and social impact bonds (Big Society Capital, 2016b).

The term *impact investment* has its origins around 2007, in an initiative of the Rockefeller Foundation to lead a group of actors interested in blending financial and social returns. Thanks to its powerful proponents, who founded the Global Impact Investing Network (GIIN) in 2009, the terminology quickly became pervasive in the United States and internationally. The GIIN defines impact investments as those “made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return” (“Global Impact Investing Network,” 2016b). The focus is hence more on the investor than on the investee, as the latter can be different types of organizations or funds. If social investment is usually carried out in domestic territory, impact investment has traditionally had a more international span and a link to the development of emerging countries. For example, according to GIIN, while 120 out of 158 investors responding their 2016 Annual Survey had headquarters in Western Europe and North America, 4 out of 5 locations with most investment allocations were Sub-Saharan Africa, Latin America and the Caribbean, South Asia, and East and Southeast Asia (Global Impact Investing Network, 2016a). According to the same survey, the financial instruments that are mostly employed are private equity, private debt, and quasi-equity.

Table 3.1: Differences between *Social Investment* and *Impact Investment*

	Social Investment	Impact Investment
Origin	UK – Social Investment Task Force, 2000	United States – The Rockefeller Foundation, 2007
Geographic Focus	Domestic	International (developing countries)
Defining trait	Investee’s motivations and asset lock	Investor’s motivations and impact created
Investors	Mostly government and foundations	Mostly private investors
Investees	Social sector organizations	Funds and profit-with-purpose firms
Financial Instruments	Bank lending, and increasingly social housing, community shares, charity bonds, quasi-equity, and social impact bonds	Private equity, debt, and quasi-equity

Source: Author compilation and analysis.

The approach of this thesis is to study the development of this market in the UK, and therefore it encompasses the different terms and definitions that have been used in the last few years. Most organizations in the UK adhere to the social investment perspective and terminology, but lately some actors have started embracing the impact investment language. In fact, some organizations in the UK and elsewhere speak now about *social impact investment*, showing that the boundaries between the two approaches are contested but also blurring.

In terms of research design, it is important to distinguish social and impact investment from purely philanthropic or mainstream financial approaches. And even more important, the differences – sometimes small, and often still contested – vis-à-vis adjacent sectors such as venture philanthropy and socially responsible investment (SRI).

There are two traits that characterize the social investment market: it purposefully targets front-end organizations with a social mission, and there is an expectation of financial return. On the one hand, the first feature differentiates it from markets that are more financially driven. SRI, for example, seeks to influence broader financial markets by screening public stocks and investing only in those firms that meet certain criteria. In the case of negative screening, SRI bans investing in specific industries (weapons, tobacco, alcohol, etc.), while in the case of positive screening it reduces its pool of potential investees to those that incorporate specific ESG (environmental, social, and governance) criteria. Furthermore, the different forms of responsible investment are often restricted to investing in stock markets and to focus on maximizing financial returns (EUROSIF, 2014). Instead, social investment targets organizations for which the social impact is a central part of their mission and it rarely involves investing in public stock markets – loans and private equity are its most frequent financial instruments.

On the other hand, social investment differs from more philanthropic approaches in that it seeks a financial return instead of giving away the funds as a donation. The field of venture philanthropy is sometimes seen as overlapping with social investment, because it incorporates traits of venture capital investing and it often tries to disrupt traditional philanthropy. However, venture philanthropists still give up 100% of their funds after donating them, while social investors expect to have the principal back after the investment period, and usually with a financial return (John, 2007). Responding to the increased interest in social investment, the European Venture Philanthropy Association has incorporated the language and tools of ‘social impact investment’ into their scope, sometimes contributing to the blurring of the boundaries between these practices (European Venture Philanthropy Association, 2016).

In the next section I explore what actors populate this blurred, dynamic, and contested social investment market in the UK.

3.3.2 Market actors

When thinking about the different actors that participate in the social investment market we can do it in terms of supply and demand of capital, to which we will need to add other actors such as intermediaries and regulators. Although some of these categories can be similar in different geographies, I will focus in the UK context and hence some actors will be particular of this setting.

The demand for social investment includes “social enterprises, charities, cooperatives, social businesses, and hybrid organizations combining elements of the state, the private sector, and the civil society sector engaging in social innovation” (Nicholls & Schwartz, 2014, p. 564). Because of the different definitions and approaches, it is difficult to gauge the demand – or the actual size – of social investment markets. Some institutions segment the market according to its provision of basic needs (food, water, housing) or access to basic services (education, health, energy, finance) (JP Morgan, 2010), but sometimes the impact of the front-end organization is the creation of employment for marginalized collectives or the recycling of material to save energy and resources.

Other institutions limit their understanding of social investment to certain types of legal forms (usually non-profit organizations), but the field encompasses registered charities, companies limited by shares or guarantee (CLS and CLG), cooperatives, associations, or community interest companies (CICs). Although CIC is a legal form of incorporation particular from the UK where the dividends are capped and the social mission is locked for the long-term, other countries have similar arrangements. These include L3C and

benefit corporations in the United States, Type 1 and Type 2 Social Cooperatives in Italy, or Community Interest Companies in Canada.

Lyon and Baldock (2014) studied the demand of social investment using a survey conducted by the umbrella body Social Enterprise UK, and they found that 15% of social enterprises seek repayable finance. Most of them went to commercial banks and only 25% approached social investors, although the latter were more likely to offer unsecured debt. The Alternative Commission on Social Investment (“The Alternative Commission on Social Investment,” 2015) also analyzed the demand-side of the market, pointing that different surveys showed that most social enterprises were not interested in repayable finance and, those who were, they sought loans between £10,000 and £100,000. This is in line with early research on the financing of social enterprises (Bank of England, 2003), which highlighted that “there is little evidence of demand for (...) conventional venture capital or business angel finance to the social enterprise sector (...) due to the specific characteristics of the social enterprise sector, in particular the difficulty of providing a commercial financial return, ownership issues and the lack of an exit strategy” (p. 1). Another report (Commission on Unclaimed Assets, 2007), although acknowledged that “a large part of the third sector is not geared up to use any form of repayable funding” (p. 15), also mentioned that a high priority for social enterprises were “funds for developing new products and services” and investment for the “purchase or refurbishment of land and buildings” (p. 14).

For these reasons, part of the role of the government and other central organizations in the market has been stimulating the demand for social investment and supporting social enterprises to become ‘investment ready’ (ClearlySo & New Philanthropy Capital, 2012).

3. Methodology

The supply of social investment is also diverse, including the government, foundations, high-net-worth individuals, and commercial banks. The government has been the main investor in the social investment market in its early stages, although following different strategies and sometimes through semi-public bodies. For example, in 2001 the National Lottery endowed seven social sector organizations with a £100m fund to form UnLtd and support the social enterprise and social investment sectors. In 2002 the government invested £20m in a community development fund from Bridges Community Ventures (now Bridges Ventures), and in 2004 it allocated £125m to Futurebuilders for lending to social enterprises. Other investments include the launch of the Social Enterprise Investment Fund with £100m from the Department of Health in 2007; Communitybuilders' £70m fund to invest in community-based organizations in 2009; or the £30m from the Department of Work and Pensions to fund social impact bonds in support of disadvantaged young people in 2011. Finally, the largest allocation of public funds to the social investment sector came with the establishment of the wholesaler institution Big Society Capital, which took a few years to be designed and to overcome different obstacles and finally opened its doors in April of 2012. From the £600m of funding for Big Society Capital, £400m came from 'dormant bank accounts', a sum of money that the Commission on Unclaimed Assets established by the government decided to channel to the social investment sector.

Charitable trusts and foundations were also an important investor in the early years of the market. Esmée Fairbairn Foundation, LankellyChase Foundation, and others were early investors in different funds. The Esmée Fairbairn Foundation even created a £15m fund to invest in the social investment sector, and the Charities Aid Foundation created Venturesome to fund high-risk social enterprises. Furthermore, together with others like

the Young Foundation or the New Economics Foundations, they have sponsored diverse research and conferences in the last few years that have helped the sector move forward.

High-net-worth individuals have been another engine of the sector. In the case of Sir Ronald Cohen and other social investment advocates, they invested time and money in developing the early tools and organizations of the sector. Later, social business angels started investing in social enterprises through organizations such as ClearlySo or Social Finance. Commercial banks became interested in the sector after some time, but their investments have also helped the sector grow in the last few years. The main high street banks in the UK (Barclays, Lloyds, HSBC, and the Royal Bank of Scotland) provided £200m to Big Society Capital as part of the Merlin Agreement that they signed with the government after the financial crisis, and others like Deutsche Bank have also allocated certain funds for investing in social enterprises. Finally, Big Society Capital and other market actors have tried to encourage social investment among smaller individual investors through the Social Investment Tax Relief, but the complexity and inherent risk of these transactions have so far prevented this potential segment of supply to take off.

The different suppliers of capital often work together by investing in the same funds. Although they might have different goals in terms of financial and social returns, this “co-mingling” is possible by designing funds where different investors (foundations, governments, private investors) can finance different trenches with different risk-reward balances (Cabinet Office UK, 2013).

Apart from demand and supply, there is a broad range of intermediary organizations which play a central role in the UK social entrepreneurship and social innovation landscape (Shanmugalingam, Graham, Tucker, & Mulgan, 2011). Among those with a specific presence in the financing of social enterprises, we find first those organizations

that receive funds from the aforementioned suppliers of capital and invest it in social sector organizations. These include social banks such as Charity Bank, Triodos Bank, and Unity Trust, which together accounted for 81% of the market in 2012, and so-called SIFIs (Social Investment Finance Intermediaries) or social investment funds. These are usually venture capital-like funds with different approaches to social investment, sometimes with a regional or industry focus, and the most important ones include Bridges Ventures, Resonance, Key Fund, Venturesome, or the Social Investment Business Group (SIBG). Other intermediaries are brokers or advisors, such as Social Finance and ClearlySo, which connect investors with potential investees and which have been among the pioneers and innovators of the social investment space. Trade associations like the Social Investment Forum or the Community Development Finance Association are intermediaries that become an important piece of market infrastructure (Schwartz, Jones, & Nicholls, 2016), as they bring together different actors to lobby and work for their common interests. Exchange platforms or capital aggregators have also played a relevant part in pooling capital and showcasing investment opportunities (Richter, 2014; Shahnaz, Kraybill, & Salamon, 2014), like Ethex and the Social Stock Exchange in the case of the UK. Research consortiums like the Social Investment Research Council, which is supported by some of the main organizations in the field, have also played important roles since the early years of the market.

A special mention is needed for the aforementioned Big Society Capital, an organization funded indirectly by the UK government through the Dormant Bank Accounts Act and the Merlin Agreement signed with the major high street banks. BSC is hence an idiosyncratic type of intermediary: it is a financial intermediary, but acts as a wholesaler and therefore only invests in other social investment funds; an important part of its mission is contributing to the growth of the social investment market in the UK; and

despite being founded (and indirectly funded) by the government, it is established as an independent organization which responds to a board of trustees. Since its official launch in 2012, and also before that because the talks had been going on for a few years, BSC has been highly influential in the market, both because of the size of its funds (£600m) and because of its visibility and connections to the public, financial, and social sectors.

Finally, the government has also played an important part in the development of the social investment market, especially in the UK context (Spear, Paton, & Nicholls, 2016). Different government agencies or departments have acted as direct or indirect social investors (e.g. Department of Work and Pensions), as regulators, as market champions (e.g. Cabinet Office), as commissioners, or as endorsers of civil society projects.

Even though many would agree that these organizations that I have segmented in supply, demand, intermediaries, and government are part of the social investment market, we can find specific organizations or funds where there would be endless discussions. For example, Community Development Finance Institutions (CDFIs), which usually address the challenge of financial inclusion, were in the beginning a central part of the social investment agenda (Social Investment Task Force, 2000), but they have over time been less present in the social investment discourse. Venture Philanthropy organizations such as Impetus-PEF are often understood as not being part of the social investment market, but they use similar language and they collaborate with other market actors. UKSIF³ was among the first proponents of social investment in the UK, but its focus was more on *sustainable* or *socially responsible* investment. Bridges Ventures, one of the earliest and most recognized social finance intermediaries, has a range of funds with different approaches, some of which are not included in BSC's definition of social investment.

³ Previously the UK Social Investment Forum, it changed its name in 2009 to UK Sustainable Investment and Finance Association.

Also among those studying social enterprises, which are the main recipients of social investment, there are different definitions and hence ambiguity when a new survey or research is presented (Lyon & Sepulveda, 2009). For this reason, most reports of the social investment market, in the UK and elsewhere, start by defining the scope of their analysis in terms of what investors and investees they are focusing on. This ambiguity is not uncommon in the early stages of market formation, when products, meanings and boundaries are not yet well established (Fligstein, 2001b; Hajek et al., 2011). However, the high levels of ambiguity in the UK social investment market and the complexity of the institutional context make it an especially relevant setting to study the early moments of market formation and institutional emergence.

3.3.4 A unique context to study nascent markets

In 2013, under the presidency of UK's Prime Minister David Cameron, the G-8 established a Social Impact Investment Task Force, which brought this sector to the foreground of policy and media interest. This global milestone was an acknowledgement of the momentum that social investment has gained, especially in the UK, since the early 2000s. As an informant said: "social investment became an increasingly important part of what I was writing about because that was, in policy terms, the big matter, the big issue on the policy landscape, particularly in the post-2010 period" (Interviewee #24, Social Enterprise).

The intention of achieving a social mission through business-like or financially sustainable means is not new (Sepulveda, 2014), nor is the idea of investing with a specific social motivation (Nicholls, 2010b). In fact, the UK has a long tradition of pioneers who invested in business activities to achieve public good (Davies, 2016). There is, however, evidence that activity and discourse around social investment in the UK has

increased and changed in focus and intensity since the turn of the millennium (Nicholls, 2010b; Sepulveda, 2014). Exploratory interviews with industry participants and initial archival data collection showed that, indeed, the year 2000 is seen by many as a turning point in the social investment sector with the establishment of the Social Investment Task Force, led by the government and with the participation of actors from different sectors (Social Investment Task Force, 2000).

For these reasons, I focus my analysis on the period from 2000 to 2015, although I remain attentive to those developments that took place in the 1990s and can be understood as the seeds of future initiatives. This observation period is marked by increasing activity that has led to social investment being a common term used by policy makers, social sector organizations, and some niches of the financial markets in the last five years (Sepulveda, 2014; UK National Advisory Board to the Social Impact Investment Taskforce, 2014).

Despite its significant developments, a recent report signaled that “potential investors face a lack of clarity and transparency surrounding social investment products and regulation”, and hence social investment “is still a nascent market and there is a risk that too much is being expected of it too soon” (New Philanthropy Capital, 2016, p. 3). Far from being a critique from the periphery of the field, this is something acknowledged by mainstream social investment organizations. Cliff Prior, CEO of Big Society Capital since 2016, conceded in an interview⁴ a few months ago that social investment is still in its early days, that it “has been much hyped in recent years, but it remains an enigma to many”. If the aforementioned report suggested the lack of clarity for potential investors, Prior accepted that also “many charities and social enterprises struggle to understand the concept”.

⁴ Cliff Prior: Thinking Big, http://www.thirdsector.co.uk/cliff-prior-thinking-big/finance/article/1395903?utm_content=buffer38d45&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

Some researchers have emphasized the tensions of the social investment space, a characteristic that was already present in related fields such as microfinance (Battilana & Dorado, 2010; Kent & Dacin, 2013) or venture philanthropy (Mair & Hehenberger, 2014). For example, the recent book on Social Finance edited by Nicholls and colleagues (2016) highlights many of the advancements but also the challenges of the field, including measurement, risk, policy, and scaling. Others go further and suggest that social impact bonds are “a wolf in sheep’s clothing” (McHugh, Sinclair, Roy, Huckfield, & Donaldson, 2013) and part of an ideological shift that is taking place in the third sector.

These 15 years are hence a period of direct, varied, and contested initiatives to stabilize the idea and practice of social investment, and therefore a window to understand processes of market formation in this space.

Because of its stage of development and its inherent complexity, it is difficult to find data on the size and features of the social investment market. The most thorough attempts to quantify the amount of social investment taking place in the UK were carried out by a group of organizations supporting social investment (City of London, 2013) and by Big Society Capital (Big Society Capital, 2016b). The former was a study published in 2013 and suggested that the amount invested in 2011⁵ was of £202m over 765 investment deals. The latter was carried out in 2016 (see Table 3.2) and stated that the deal-flow in 2015 had been of £427m, committed to around 700 charities and social enterprises, and that the investment outstanding at that point was of £1,525m spread in around 3,500 deals, with the following structure:

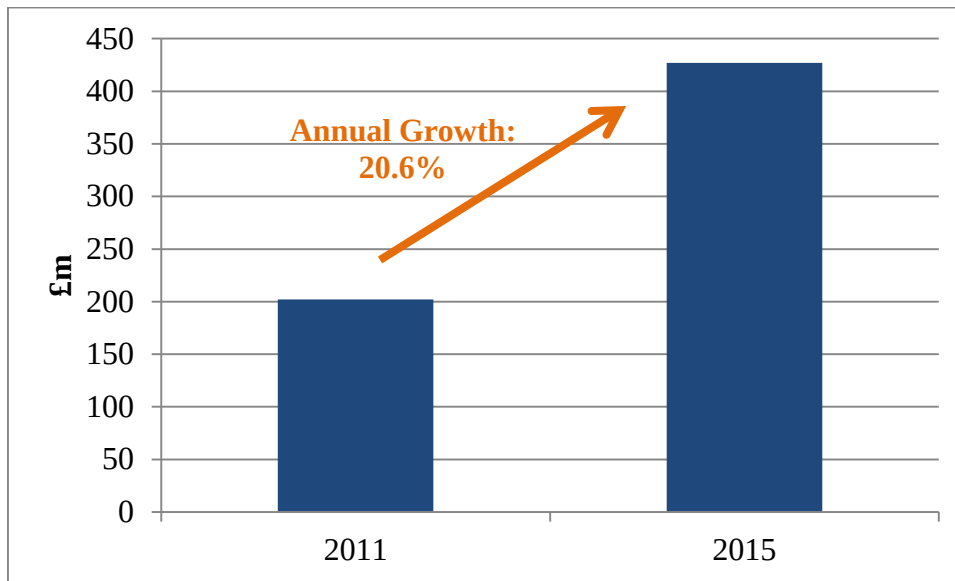
⁵ Specifically, from April 2011 to March 2012.

Table 3.2: Size and segmentation of the UK social investment market

Segment	Sub-segment	Investment (£m)	% of total value	# of investments	Description	
Social Investment in Social Sector Organizations	SME Charity Finance	Social bank lending	545	36%	1,264	Loans (normally with security) from social banks to charities or social enterprises
		Non-bank lending	158	10%	858	Non-bank lending via specialist funds and other channels to charities and social enterprises
	Social Innovation	Equity-like capital	32	2%	123	Capital for growth via specialist funds and other charities to charities and social enterprises
		Social impact bonds	14	1%	18	All social impact bonds
	Participation	Community shares	96	6%	353	Community shares, mostly issued by community benefit companies
		Social investment tax relief	1	0.1%	9	Social Investment Tax Relief enabled investments
	Scale	Charity bonds	86	6%	18	Bonds issued by registered charities targeting social impact and with explicit impact measurement
		High impact social property	130	9%	14	Capital for service delivery by charities and social enterprises involving property
	Soc Inv in Social Sector Organizations		1,062	70%	2,657	Asset-locked organizations
	Soc Inv in Profit-for-Purpose Organizations		462	30%	807	Non asset-locked organizations
Total		1,524	100%	3,464		

Source: Adapted from Big Society Capital (2016)

Although comparisons are difficult when yearly data is not available from a centralized source, this information suggests that the market has been growing in the last few years at a significant 20.6% compound annual growth rate (see Figure 3.1).

Figure 3.1: Growth of the deal flow in the UK social investment market (2011-2015)

Source: Author's analysis (data from Big Society Capital (2016) and City of London (2013)).

This complexity and ambiguity is what makes social investment an exemplar context to study the early moments of new markets (Bell & Haugh, 2015). While these characteristics would make it difficult to start a research project with specific *a priori* boundaries, it is precisely these features that make it ideal to study the resolution of initial ambiguity and the role of different actors in market formation dynamics. In the next section I detail the process of data collection that has enabled me to grasp these early market activities, and the data analysis section in Chapter 4 provides more details of the chronology and characteristics of the UK social investment market.

3.4 Data Collection

The complexity of studying market formation processes demands a focus on a limited space in terms of activity and geographic location. My approach was to start with a loose definition of the social finance market – “where investors look for a combination of

financial returns and social impact” – and mapping the different actors and groups that interact and struggle within and at the edges of that boundary (Bourdieu, 1985). The focus on one country is due to the fact that most organizations have a national scope, as well as the importance of country regulations and more broadly the socioeconomic context that can vary between one geography and another and which influences the way new markets develop (Hall & Soskice, 2001). Choosing the UK responds to the acknowledgement that this country has seen a lot of development in the social investment space in the last few years, as well as some innovations – e.g. the establishment of Big Society Capital and the issuance of the first social impact bond – that have attracted global attention. If not the largest in terms of market volume, the UK has certainly experienced interesting dynamics due to the involvement of the government, the tradition of financial markets in London, and a strong social sector.

However, despite the importance of the field, it is difficult to find reliable secondary data that can enable quantitative analysis. On the one hand, this is due to the early stage of market formation. Even if the social investment discourse has been present in the UK since the early 2000s, many of the organizations that are central today were founded after 2010, and hence there are not enough track records available for meaningful quantitative analysis. For example, in June 2015 the research organization EngagedX published a benchmark about social investment in the UK, but it only included investments from 3 funds and it left aside important organizations and segments of the market. On the other hand, the lack of comprehensive secondary data is due to the ambiguity still present in the sector, which prevents market analysts to design databases under agreed-upon definitions. These two factors – the infancy and ambiguity of the market – are related, and it is reasonable to assume that in some years it will be easier to find reliable quantitative information, perhaps for different segments within the social investment

space. However, until then, an interpretive approach that allows for identifying the different practices and approaches to social investment, as well as how interactions among actors have driven the market forward, is more suitable for gaining understanding about market dynamics. This includes an effort on collecting qualitative primary data, and approaching it with a broad theoretical framing.

Because of the interplay among a diverse set of actors, as well as the complex, nuanced, and to a great extent unexplored norms and meanings of the field, I have conducted a single, longitudinal case study (Eisenhardt, 1989; Yin, 1984) of the social investment market in the UK. The data collection strategy combines semi-structured interviews, observations, and archival sources (see the summary of data collection in Table 3.3). This field-level approach is sometimes known as the extended case method, because it tries to “extract the general from the unique, to move from the micro to the macro, and to connect the present to the past in anticipation of the future” (Burawoy, 1998, p. 5).

Table 3.3: Summary of data sources by type

Source	Amount	Examples
<i>Interviews</i>	35	Social investment fund managers Trade associations Government Advisors Social enterprises
<i>Reports & Documents</i>	90	Financing Civil Society (CAF, 2008) Growing the Social Investment Market: Landscape and Impact (City of London, 2013) Bridges Ventures 10 Year Report (2013)
<i>Industry events</i>	7	Skoll World Forum, 2013 & 2014 Ethex Annual Gathering, 2014 SOCAP, 2014
<i>Other</i>	n/a	G-8 Task Force Webinars Seminars and lectures Blogs & Newsletters Social Media

3. Methodology

I have interviewed 35 people working in social investment funds, brokers, government departments, investment organizations, and social enterprises, most of whom have been involved in the sector from its diverse beginnings (see Table 3.4 for the list of interviewees). The interviews conducted are the result of a theoretical and snowball sampling. From a theory point of view, the aim was to capture variation rather than focusing on a specific approach to social investment or a specific type of organization. This broad perspective has enabled me to understand the field dynamics that have taken place in the last 15 years, without being biased by approaches or organizations that have become more central over time.

Once a first set of organizations that provided this breadth had been selected, the individuals interviewed provided the names of other organizations that were worth contacting because of their relevance in the field. In selecting the interviewees, I considered not only their seniority within their organizations, but also their previous experience in social investment or adjacent sectors. Finally, it is also worth noting that only with four of the organizations contacted it was not possible to conduct the interview, hence having a response rate of 90%. In those four cases, other organizations with similar characteristics were sought and interviewed.

On the one hand, this has allowed me to gain an insider perspective on current events and developments in the market. On the other hand, it has given me access to a wide range of personal and organizational accounts of the evolution of the field in the last two decades. Most of the exploratory interviews were conducted in the early stage of the research project, and they were used to gain understanding of the complexities as well as recent and current challenges of the social investment market. They lasted between 30 and 60 minutes and were intended to explore the perspectives of different market actors, such as investors, investees, intermediaries, or civil servants.

3. Methodology

All the in-depth interviews were conducted between April 2014 and April 2015. They were recorded and transcribed, and most of them lasted between 45 and 75 minutes. I ensured confidentiality to the interviewees, and hence in the quotes throughout this document I only make reference to the number of interview and the type of organization. The interviews were semi-structured, with a protocol that followed three parts – personal history, organizational features and evolution, and market challenges and development, although it was not rare that they were intertwined during the conversation. The specific questions changed slightly as the research was going forward and I was both gaining knowledge of the events and linking them to theories of market formation. For example, I soon started asking fewer questions about the chronology of the field, which became clear after the first few interviews, and more about the interviewees' personal and organizational perspective on the reasons behind and implications of those market developments.

Similarly, questions about market boundaries evolved from being more objective (e.g. “What are the differences between social investment and community finance?”) to include a subjective opinion (e.g. “Why do you think that social investment is seen as distinct from community finance?”). When asking about their organization, I usually focused on the range of their activities and their relation with other market actors, as well as how those activities and relations had changed over time. Finally, in the questions about their personal history I also asked about the individual background of other employees, especially the more senior members, so that the picture was not biased by the specific experience and career of the interviewee. Also, as I advanced in the collection of interview data and saw the relevance of intermediary organizations, I reached out to different kinds of intermediaries so that I could capture the broad range of practices and roles performed by this type of actors.

Before and after the interviews I always triangulated the data with the information available in their organizational website, which usually covered their history and the experience of at least the senior members of the team, and with other information available online in media sites, blogs, or social media.

Although the focus of the research project is in the UK social investment market, and hence most of the interviews were with domestic actors (see Table 3.4), I included three interviewees who work in global organizations (based in the United States) and who gave me both a foreign perspective on the evolution of the UK market and the possibility to compare it to what was happening in other contexts.

Table 3.4: Details of people interviewed

#	Date	Type of Interview	Type of Organization	Role of Interviewee	Country
1	Dec-12	Exploratory	Social Inv. Fund Manager	Former Associate	UK
2	Dec-12	Exploratory	Social Inv. Fund Manager	CEO	UK
3	Feb-14	Exploratory	Media	Social Entrepreneur	USA
4	Feb-14	Exploratory	Investor	Founder	UK
5	Apr-14	Exploratory	Advisor	CEO	UK
6	Apr-14	In Depth	Wholesale Bank	Investment Associate	UK
7	May-14	Exploratory	Advisor	Analyst	UK
8	May-14	In Depth	Social Inv. Fund Manager	Partner	UK
9	May-14	In Depth	Social Inv. Fund Manager	CEO	UK
10	May-14	In Depth	Advisor	Capital Raising	UK
11	May-14	In Depth	Advisor	CEO	USA
12	May-14	In Depth	Advisor	Director	UK
13	Jun-14	In Depth	Investor	Investment Manager	UK
14	Jun-14	In Depth	Social Inv. Fund Manager	CEO	UK
15	Jun-14	In Depth	Industry association	CEO	UK
16	Jun-14	In Depth	Platform	Founder	UK
17	Jun-14	In Depth	Platform	Founder	UK
18	Sep-14	In Depth	Industry association	Project Manager	USA
19	Sep-14	In Depth	Government	Social Inv. Team	UK
20	Oct-14	In Depth	Industry association	Project Manager	USA
21	Nov-14	In Depth	Social Enterprise	Founder and CEO	UK
22	Dec-14	In Depth	Advisor	Founder	UK

3. Methodology

#	Date	Type of Interview	Type of Organization	Role of Interviewee	Country
23	Dec-14	In Depth	Government	Director	UK
24	Dec-14	In Depth	Social Enterprise	Founder and CEO	UK
25	Mar-15	In-Depth	Social Inv. Fund Manager	Investment Executive	UK
26	Mar-15	In-Depth	Foundation	Investment Associate	UK
27	Mar-15	In-Depth	Social Inv. Fund Manager	Investment Director	UK
28	Mar-15	In-Depth	Industry association	Deputy CEO	UK
29	Mar-15	In-Depth	Foundation	Director of Policy and Strategy	UK
30	Mar-15	In-Depth	Social Inv. Fund Manager	Director of Business Development	UK
31	Mar-15	In-Depth	Social Ent. Incubator	Research and Evaluation Manager	UK
32	Mar-15	In-Depth	Social Inv. Fund Manager	CEO	UK
33	Apr-15	In-Depth	Social Inv. Fund Manager	CEO	UK
34	Apr-15	In-Depth	Legal Advisor	Partner	UK
35	Apr-15	In-Depth	Legal Advisor	Partner	UK

Archival data is often a key source for the study of organizational and institutional processes (Ventresca & Mohr, 2002), and hence another important source of information for this project has been 90 reports (representing a total of more than 4000 pages) that have been issued in the UK since 2000 and which directly speak to the social investment market. The interest in this field has been clearly growing, with an average of one or two reports per year until 2006, a yearly average of five between 2007 and 2010, and of fifteen between 2011 and 2014. The topics and sponsors of these documents are diverse, as can be seen in Appendix A. In the first half of the 15-year period stand out the reports by the Social Investment Task Force, the recommendations of which had a significant influence in the sector, and those by early players such as Bridges Ventures or the Charities Aid Foundation-Venturesome, as well as research institutions such as the New Economics Foundation or the Skoll Centre for Social Entrepreneurship. Later in time we see more

reports by organizations that have become important players in the market – Social Finance, ClearlySo, Young Foundation, Big Lottery Fund, Nesta – and, after 2012, those sponsored by Big Society Capital and the government, some of them under the label of the Social Investment Research Council.

Some of these reports provide a broad approach to the social investment market and its development (e.g. “The Financing of Social Enterprises”, “Financing Civil Society”, or “Growing Social Ventures”). Others are focused on specific market segments (e.g. “Developing a Social Equity Capital Market” or “Co-mingling Social Investment Funds”), and yet others are dedicated to the approach of specific organizations (e.g. “The Venturesome Model”, “Bridges Ventures 10 year Report” or “Big Society Capital – Our Strategy for the Next Three Years”). Finally, in the last few years there have been more and more reports trying to quantify the size of the industry (e.g. “The First Billion” or “Growing the Social Investment Market”).

I have used these secondary sources of data both for direct coding and analysis and for triangulating the information from the interviews. Especially, they have been a central input to understand the chronology of the market – many of them had a timeline with the main events in social finance since 2000 – and to grasp the changes in language and perspectives over time.

One of the objectives of this longitudinal case study was to capture the diversity of approaches and perspectives on the social finance market, which I did not only by interviewing key actors and diving into textual data sources, but also by observing and taking part in different field events. The most central one was Good Deals, the industry conference that annually gathers many of the relevant market actors and interested parties. I also attended broad events like the Skoll World Forum in 2013 and 2014, and

Marmalade (former Oxford Jam) in 2015, where I joined many sessions on social and impact investment. I attended international events (e.g. SOCAP) where UK actors were present, organization-focused events like the Ethex Annual Gathering, and research conferences like the Social and Sustainable Finance and Impact Investing Conference.

Participants in these events often included some that I had interviewed for the project and others from the same organizations, which allowed me to see them interact publicly and privately with their peers or competitors, as well as with their investors or investees. These settings (which represented a total of 150 hours of observation) were good opportunities for informal talks with many insiders of the UK social investment market, but also to know about organizations working at the fringes of the sector and to hear about developments in other countries, which gave me different perspectives to what was happening in the UK.

Finally, I have used other data sources for triangulation and to be up-to-date on the development of the field during the past few years. These have included webinars like those organized by the G-8 Social Impact Investing Conference, lectures and seminars, blogs from mainstream and fringe actors in the sector (e.g. ClearlySo's blog⁶ or "Beanbags and Bullsh!t"⁷), and social media.

To sum up, the data collection strategy is consonant with the theoretical approach and with the characteristics of the empirical context. By emphasizing variation and breadth in the sampling of the interviews, I have captured the market dynamics that have taken place in the early moments of social investment. By selecting industry reports from the last 15 years, as well as interviewees with years of experience in the sector, I have been able to

⁶ <http://www.clearlyso.com/category/blog/>

⁷ <http://beanbagsandbullsh1t.com/>

include an important longitudinal dimension in these processes of market formation. And by complementing interview and text data with participant observation and constant following of industry blogs and social media, I have constructed a unique dataset of the field dynamics in the UK social investment market.

3.5 Overview of data analysis

My analysis of the data has followed different stages, always giving primacy to an interpretive approach where the aim was not so much to measure specific relations among pre-defined variables, but rather to explore the dynamics during the early moments of market formation. The focus was hence on discovering what actors, interactions, processes, and mechanisms have been important in the context of social investment in the UK.

Qualitative researchers have used different techniques when approaching institutionally complex contexts such as social investment (Reay & Jones, 2015). Some have tried to deduce patterns of relations among different logics, often employing text as the main data source and counting certain terms or practices that can give a measure of the importance of those patterns (Dunn & Jones, 2010; McPherson & Sauder, 2013). Others have aimed at matching their observations in real life with ideal types, for example comparing the features of certain field-level logics with the broader institutional orders described by Friedland and Alford (1991) or Thornton and colleagues (2012) (Goodrick & Reay, 2011; Thornton, 2002). Finally, other researchers seek to induce the patterns and mechanisms at play by a close and (to a certain point) unbiased observation of events, which implies “analyzing qualitative data from a bottom-up” approach (Reay & Jones, 2015, p. 9). This approach often includes interviews and participant or ethnographic observation in data

collection, and grouping or categorization in the data analysis (Gioia, Corley, & Hamilton, 2013; Smets, Jarzabkowski, Burke, & Spee, 2015).

For the two empirical chapters in this thesis, I have followed the third approach (inducing patterns) in which “researchers begin with a general guiding research question (...) and select a research site where they believe that interesting answers to the question may be found” (Reay & Jones, 2015, p. 9). This in line with a grounded theory approach (Glaser & Strauss, 1967; Locke, 2001), which involves an open-ended analysis where researchers “[travel] back and forth between data, literature, and emerging theory” (Smets et al., 2012, p. 882). Details of the data analysis will be in the corresponding empirical chapters, but here I will give a brief overview of the structure and different steps.

The two main data sources have been the industry reports and the interviews. An initial reading of the reports helped me assess the chronology of the social investment market and decide the period of study. It also highlighted the most relevant actors in the field, including those that were more central in previous years but which may have fallen to the periphery of social investment as it is currently understood. Textual data has been therefore an ideal source to take a longitudinal approach to the social investment market and to understand the different positions and perspectives over time, stated in the terminology that was used at that time. The complexity and lack of clarity around the practices and boundaries of the field was evident early on, which pushed me to study the evolution of ambiguity around social investment in the last 15 years. This is the starting point of Chapter 4, where I give more detail about the coding steps and strategies.

The interviews were transcribed and coded shortly after they were carried out, with the help of the software ‘NVivo 10’. I started with a broad coding strategy to see what issues emerged from the data, resulting in 37 different codes, with topics such as ‘language’

(“impact investing has more of a connotation around market rates of return”, Interviewee #16, Platform), ‘impact measurement’ (“if you are going to structure payments around it, it has to be quantitative”, Interviewee #12, Advisor), or ‘collaboration’ (“I guess that two of our stakeholders are Big Society Capital and the Esmée Fairbairn Foundation”, Interviewee #14, SIFI). I then looked at commonalities among the variety of codes and grouped them in three different themes, with some of them speaking to more than one theme: origins of resources, disagreement, and market building (see Appendix B for a summary of the code grouping).

Origins of resources pointed to the different sources and forms of capital that have been deployed in the social investment sector. Such initial coding showed that social, human, and cultural capital were as important for the development of the sector as financial capital, as shown in Table 3.5.

Table 3.5: Examples of different forms of capital

Capital	Description	Quote
<i>Financial</i>	Funding from investors	“Bridges [Ventures] made their first money with treasury subsidy, 20 million pounds of it” (Interviewee #14, SIFI)
<i>Social</i>	Connections among market actors	“We have very strong relationships with a lot of charitable trust and foundations and an increasing number of other investors” (Interviewee #12, Advisor)
<i>Human</i>	Individual experience and skills	“They’re dominated by private equity guys with the same mentality” (Interviewee #17, Platform)
<i>Cultural</i>	Endorsement and legitimacy of certain meanings and practices	“The concept of social investment was really formed, and came out of, in many ways, the Social Investment Task Force” (Interviewee #15, Trade association)

Source: Author’s analysis.

The realization that multiple forms of capital were important in the dynamics of the social investment market made me rethink my approach to the intermediation function, essentially by broadening its scope and not including only financial intermediaries. Therefore, the term *intermediary* is here defined as any organization that mediates with different forms of capital between two or more organizations in the field. Examples of intermediation hence include raising capital from a set of investors to invest it in different social enterprises (e.g. Bridges Ventures), helping a company raise money from a social investor (e.g. ClearlySo), creating a platform where investment opportunities are available for potential funders (e.g. Social Stock Exchange), or providing the space for peer organizations to discuss industry matters (e.g. trade associations like the Social Investment Forum or the Community Development Finance Association).

The codes grouped as *disagreement* included topics where respondents had different opinions or understandings about market characteristics. This group hence emphasized ambiguity and contestation as central features in these early stages of the social investment market. Part of the ambiguity and contestation was around specific practices, such as impact measurement or targeted financial returns, while other was around the language or the type of actors to be included within the boundaries of the market. Practices and boundaries have been acknowledged as important features in the emergence and transformation of fields (Lounsbury & Crumley, 2007; Santos & Eisenhardt, 2009; Zietsma & Lawrence, 2010), and this initial coding suggested that they were central topics also in the social investment space. Therefore, as mentioned earlier, I devote Chapter 4 to the analysis of ambiguity – its characteristics and how it is resolved over time, with specific attention to the longitudinal information provided by industry reports and other relevant documents.

Finally, the *market building* coding group includes references to the building blocks of market formation, such as infrastructure, regulation, or research, as well as other signs of market development such as legitimacy, innovation, or the aggregation and dissemination of information. Interestingly, some of the codes (trade associations, lobbying, collaboration) signal the importance of taking an organization-rich approach to the study of market formation, and specifically point to intermediaries as actors that play a central role in market dynamics. Although market formation is the overarching theme of this thesis, it is in Chapter 5 where I analyze the different processes that have taken place in the social investment market during the period of study. There I provide more details about the coding scheme and the role of intermediary organizations.

This process of coding and grouping was done iteratively while more interviews were being done, thus enabling me to give more preeminence to the different research questions – and some specific processes within it – in subsequent interviews. I also iterated between the data and the theories of market formation, which helped me further in adapting the questions in the last few interviews so that I could build on existing frameworks and refine my findings.

The next two chapters offer the main empirical findings of the thesis, focused on a chronological approach to how ambiguity is resolved in the social investment market and on the role of intermediaries in market formation processes. Each of the chapters provides a brief theoretical introduction, details of the data analysis, the findings, and a brief discussion of its theoretical implications. They are followed by a theory chapter that, with some illustrations of the social investment case, provides a framework for the understanding of institutional emergence, and by a discussion chapter that brings together the conclusions of this research project, its different contributions, and the avenues it opens for future academic research.

4 Ambiguity in the Early Moments of the UK Social Investment Market

“We are seeing something that looks appreciatively like a market emerging, very much at its earliest stages”
(Interviewee #23, Government)

4.1 Introduction

Economic sociologists, especially those scholars interested in processes of market or field stability and change (Fligstein & McAdam, 2012), speak directly to issues of market formation. This literature reminds us that markets are not just a demand and a supply coming together and exchanging products and services in a vacuum (Beckert, 2009). Instead, the sociology of markets investigates how markets are embedded in certain networks (Granovetter, 1985), political regimes (Fligstein, 1996), and cultural contexts (Zelizer, 1978). As we try to understand the broader contexts in which markets are embedded, it is useful to think about markets as fields or political arenas, where actors compete or collaborate with each other to establish the rules of the game (King & Pearce, 2010). However, most of this research starts from a point where the market is *already there*. Even if there is room for boundary struggles and for institutional change, most studies assume a pre-defined arena with a specific set of organizations, regulations, or cognitive schemas.

But how were the norms and standards in that arena settled in the first place? What often lacks in research around market struggles is a focus on the early stages of market formation – which is unfortunate because these periods can have a lot of influence in the future development of their fields (Geroski, 2003). Different literatures have argued that uncertainty and ambiguity are important in processes of market formation (Beckert, 1996; Ventresca & Levin, 2004). However, the different theories reviewed in Chapter 2 –

technology innovation, social cognition, social movements, and institutional theory (Arjaliès, 2010; Garud et al., 2002; Khaire, 2014; Utterback & Abernathy, 1975) – provide partial views on the lack of clarity around the logics and features of nascent markets. The practices (Zietsma & Lawrence, 2010), meanings (Rosa et al., 1999) and boundaries (Santos & Eisenhardt, 2009) of new markets are assumed to stabilize after an initial period of ambiguity, but these accounts often neglect the contestation that can follow after efforts to settle the rules of the game.

This ambiguity is understood as “the presence of plural and often contradictory logics and practices” (Ventresca & Levin, 2004, p. 1), but there has been scant research on what are the features of this ambiguity or how it plays out over time, especially in ‘social’ contexts that are more political than technological.

When studying market formation it is important to observe what happened in the early stages of that industry development, as it is by understanding those early moments that we can learn about how markets develop later on (Geroski, 2003). However, despite current interest among sociologists and organization theorists around processes of emergence (Padgett & Powell, 2012a), the fuzzy nature of these spaces may have hindered more scholarly work.

For this reason, with the purpose of shedding light on how the processes of market formation unfold in their early stages, and especially asking about *the specific features of ambiguity and how it is resolved over time*, I have carried out a longitudinal case study of the UK social investment market. Even if I approach the field with an open mind and without a concrete theory in mind, I pay special attention to the construction of meanings, boundaries, and other market features (Santos & Eisenhardt, 2009), as well as the political

processes and distributed action that result in market development (Ferraro et al., 2015; Giamporcaro & Gond, 2016).

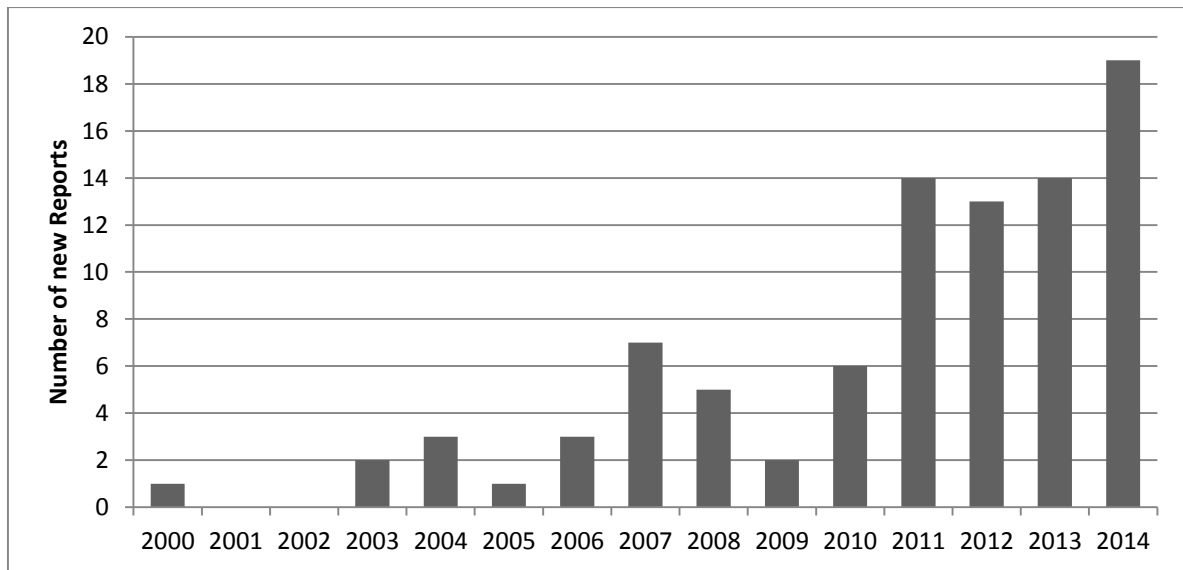
4.2 Data Analysis

In order to track the emergence of social investment as a field in the UK, I followed a “temporal bracketing strategy” (Langley, 1999, p. 703) and started by looking at the diverse chronologies available in industry reports. Even if each had a different focus, many of them began in the year 2000 and had the establishment of the Social Investment Task Force (SITF) as a starting signal for the sector. This was then contrasted with the interviews, where most informants also mentioned the great influence that the SITF had in the beginning of the industry:

“[With] the Social Investment Task Force (...) there was a recognition, I think, publically and politically, in a way for the first time, of the problems associated with lack of credit and lack of access to good, quality, financial products (...) And so, in a way, that was when the concept of social investment was really formed” (Interviewee #15, Trade Association)

The evolution in the number of reports published after 2000 (see Figure 4.1) also shows the increase in discourse and activity in this space in the last 15 years. The reports from the first few years, as well as other documents including the European Union approval of different UK policies, were especially important to track down the origins of social investment and to triangulate information given by the interviewees, who might have been subject to some retrospective bias. For later periods, especially after 2010, the larger number of sources available and the fact that most interviewees had experienced the events first-hand less than five years ago was helpful to understand the development of the market as the process sped-up and more actors were involved.

Figure 4.1: New reports published in the social investment space in the UK (2000-2014)⁸



Source: Author compilation and analysis.

I employed the software ‘NVivo 10’, which is helpful to manage the coding and analysis of large amounts of qualitative data. I started by coding the reports and interviews looking for evidence of dates and periods to have a clear view of the chronology of the sector (see Table 4.1 for a summary of the main developments of the field, and Appendix C for a more detailed account of this chronology). Some industry reports had done something similar, but usually the only events that they tracked were the birth of new organizations, funds, or regulations. Instead, I have also looked for actors’ subjective accounts of how they experienced certain periods (e.g. “it took five years of deal happening before you didn’t feel guilty about doing them”, Interviewee #14, SIFI). One of the risks of doing retrospective interviews is the possible bias of respondents when remembering facts and perceptions, so I tried to ask follow-up questions to those statements (in the example

⁸ Including those reports directly addressing features of the UK social investment market. I have contrasted my list of documents with the lists provided by some organizations in the market, as well as asking the interviewees for other reports of which I might have not been aware, making sure that I have included all relevant reports published during the stated period.

4. Ambiguity and Contestation

above, I would ask “When and why did you stop feeling guilty?”) and always triangulate the information with other interviews or industry reports.

Table 4.1: Chronology of the UK Social Investment Market (2000-2014)

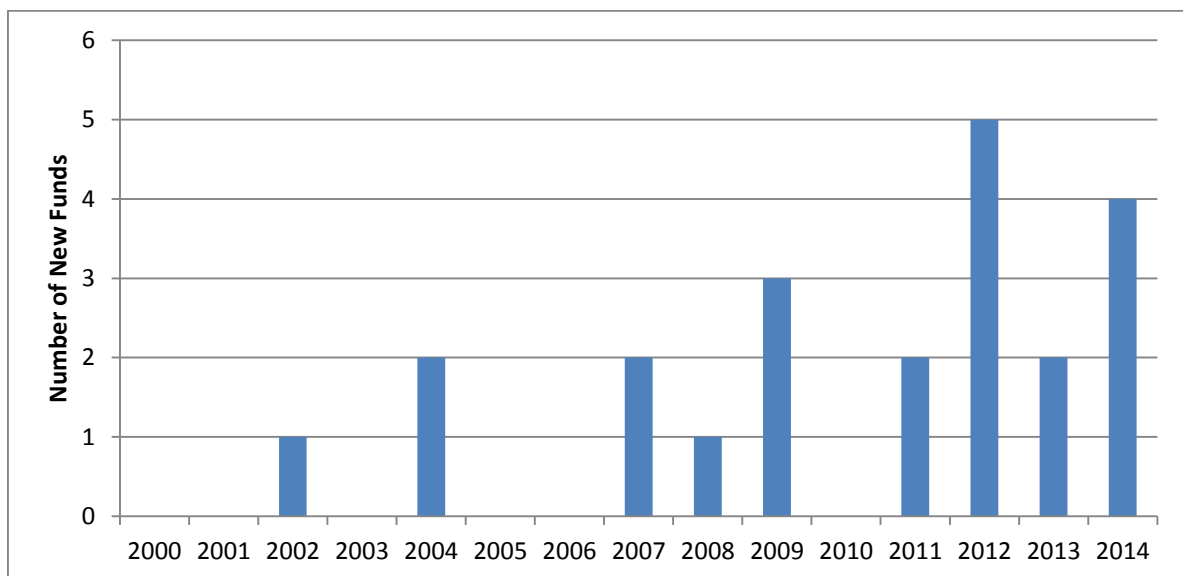
Year	Main Developments	Main Government Interventions
2000	The public, financial, and social sectors participate in the Social Investment Task Force.	
2001	The Charities Aid Foundation (CAF) sets up Venturesome to invest in charities and social enterprises.	£20m invested in Bridges Ventures' Community Development Venture Fund.
2002	Bridges Ventures raises its first fund to invest in deprived communities.	The Community Investment Tax Relief is set up to foster investment in Community Development Finance Institutions.
2004		New legal form for Community Interest Companies (CIC). The government launches Futurebuilders (£143m) to give loans to third sector organizations delivering public services.
2006	The Commission on Unclaimed Assets suggests the creation of a Social Investment Bank.	
2007	Social Finance is established and develops the concept of social impact bond.	The Department of Health launches the Social Enterprise Investment Fund (£100m).
2008	First Good Deals conference to bring together organizations working in social investment.	The Dormant Bank and Building Society Accounts Act is passed. The government of Scotland launches the Scottish Investment Fund (£30m).
2009	Launch of the Global Impact Investing Network	
2010	Launch of the first social impact bond for improving recidivism at the Peterborough prison. Launch of the Social Investment Forum as the trade association for social investors.	

4. Ambiguity and Contestation

2011		The Department of Work and Pensions launches the Innovation Fund (£30m) to invest in social impact bonds.
2012	Big Society Capital is officially launched with funding from dormant accounts (£400m) and High Street banks (£200m).	The Cabinet Office launches the Social Outcomes Fund (£20m) to promote social impact bonds across different departments.
2013	The UK establishes the G-8 Social Impact Investment Task Force.	
2014	The Alternative Commission on Social Investment investigates “what is wrong with the social investment market”.	The Social Investment Tax Relief is set up to increase the supply of social investment.
2015		The Cabinet Office and Big Society Capital launch the Access Foundation (£100m) to support smaller social enterprises.

I then coded the reports and interviews looking for evidence of the different forms of capital (financial, social, human, cultural, political) that had been deployed in the sector, as well as where they came from (public sector, financial sector, social sector). Because of the early stage of the sector, it is difficult to find reliable secondary data about the size of the market, so I compiled the number of new funds (see Figure 4.2) allocated to social investment, which shows an increase over time that becomes especially acute after the launch of Big Society Capital in 2012.

Figure 4.2: New social investment funds (2000-2014)⁹



Source: Author compilation and analysis.

Looking at the other forms of capital that found their way into social investment was revelatory because they reflected the ambiguity that characterized the sector. With the help of a research assistant, we found all kind of resources coming from all three sectors, but especially interesting was when it was difficult to differentiate among them. For example, was money from a social bank considered from the social sector or from the financial sector? Were organizations funded by the government but working at arm's

⁹ Includes funds of more than £10m, and it does not include deposits from social banks such as Triodos Bank or Charity Bank.

length from it considered public? Were funds employing a mix of grants and loans considered social investment? Was financial inclusion part of social investment? Had these considerations changed over time? In parallel, we also coded the documents looking for evidence of the different challenges faced by the social investment market.

As we can see in the chronology of Appendix C, the different developments and initiatives of the past 15 years have diverse origins and influence: some from the social sector, some from the financial or private sector, some from the public sector, and many that have had a multisector nature. Examples of the latter are the Social Investment Task Force in 2000, the first steps of Bridges Ventures in 2002, the birth of Social Finance in 2007, the first Good Deals conference in 2008, or the launch of the Social Investment Forum in 2010. Another analysis that I performed with this chronology was to study the conceptions of social investment over time. As can be seen in one of the columns, I coded the different events regarding their similarity or overlap with the perspective of social investment that has become mainstream in the last few years. Not surprisingly, I saw more variation and disconnection in the early years and more homogeneity in the second half of the period analyzed.

Periodization is an important issue in longitudinal studies of field emergence and transformation: How many *stages* should we have? What to use as relevant dimensions? How to distinguish events and processes? Where do we draw the line between one stage and the next? (see Clemens, 2007; Langley, 1999) My early coding, together with the review of the different literatures on market formation, was showing the central role of ambiguity in the development of nascent markets.

This prompted me to another stage of data coding that was focused on the ambiguity and contestation around the meanings and boundaries of the UK social investment market,

which linked to a stream of interest in the economic sociology literature around the role of ambiguity in the early stages of market formation (Beckert, 1996; Ventresca & Levin, 2004). With the purpose of grounding what ambiguity looked like in the social investment market, and whether it was intertwined with other concepts like experimentation or contestation, I coded the reports looking for evidence of such messiness and lack of clarity in the development of the industry. As we can see in Table 4.2, I started from in-vivo coding of quotes from the reports (and also the interviews) that showed cases of disagreement, confusion, or lack of clarity (more details of this coding can be seen in Appendix D). I then grouped those in-vivo quotes in first-order concepts (Glaser & Strauss, 1967; Strauss & Corbin, 1990) according to commonalities in the topics they referred to, and finally linked those to four second-order themes (Gioia et al., 2013) that were meaningful in the literature on market formation and had been addressed by previous researchers. These second-order themes were the *rules* and norms governing the market (Ahrne et al., 2014; Fligstein, 2001b; Mair et al., 2012), its different *identities* (Ahrne et al., 2014), the variation in *practices* (Beckert, 1999; Leblebici et al., 1991), and the *dominant actors* influencing the market (Ahrne et al., 2014; Fligstein, 1996; Greenwood & Suddaby, 2006). This data structure shows the process of moving from the language of the informants and the reports to theory-based interpretations of the phenomenon.

Table 4.2: Summary of data coding from industry reports and interviews related to ambiguity

In-Vivo Coding	1st Order Concepts	2nd Order Themes
“A number of barriers have been identified which stem from a lack of clarity and guidance relating to the law and regulation of social investment” (2012) “Government intervention in this area is considerable and sometimes unpredictable” (2013)	Government intervention	Rules
“[social investors weren’t really publicly celebrated until 2007. So in my view, it took 5 years of deal happening until you didn’t feel guilty about doing them” (~2002-2007) “If they are able to achieve financial returns that are in-line with the market (...) I would question whether they are as social as they claim to be” (2014)	Legitimacy	
“Estimates are hampered by the lack of transparency and lack of agreed definitions” (2009) “Many social sector organisations are uncertain about what (social) investment means, if they really want it and indeed, seem increasingly sceptical” (2013)	Language	Identities
“There is a lack of advisors with expertise in dealing with social purpose businesses and their investment needs” (2006) “Although foundations do make some loan and Programme Related Investments, this has been hampered by lack of expertise in the financial investment area” (2004)	Human capital	
“Even when an investor aims to create blended value, there is no single, monolithic blended value investing strategy” (2007) “Increasingly concerned about the cost of transactions and the lack of ‘vanilla’ style investment products in the market” (2012)	Financial products	Practices
“There are numerous studies and tools out there for measuring social return but few are well understood by potential investors in a fund like this and none are generally accepted as a market standard” (2004) “there is no consensus on how to capture the impact of social investments practically and proportionally” (2011)	Impact Measurement	
“There’s a number of characters like Stephen Lloyd [charity lawyer] and Ronald Cohen [venture capitalist] who were getting very interested in the whole concept and the idea” (~2000) “The very largest social enterprises for whom the common social finance market is probably the most appropriate” (2014)	Actors	Dominant Actors
“Foundations have been instrumental in the growth of the social investment market to date” (2013) “One of the things that is going wrong in the social finance market in the UK is the issues being very heavily influenced by a government and the Cabinet Office” (2014)	Domination	

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Because of the process of going back and forth between data and theory, the four themes can be linked to the four literatures, identified in Chapter 2, that engage in explaining processes of market formation. The focus on regulation and legitimacy is similar to the interest of institutional theory in formal and informal rules. The importance of market and organizational identities links to the body of work on social cognition, as it is by interacting with other market actors that cultural aspects such as language and identity become defined. The ambiguity around the practices of social investment matches the literature on technology innovation, although in this case the technology is not a high-tech development but rather new practices or approaches to combine financial and social returns. Finally, the focus on dominant actors is consonant with the political perspective of incumbents and challengers in social movement theory.

This coding of the industry reports helped me understand the different themes around which ambiguity was important in the development of the market. I then set out to explore how this ambiguity had changed over time, for which I used both the data from the reports and from the interviews. At this point I paid special attention to chronological information, so I coded for instances that related to rules, identities, practices, and dominant actors and also assigned them a year or time period. Sometimes this was easier because there was a clear date: “Since 2012, when Big Society Capital came into being, we then began to see...” (Interviewee #24, Social Enterprise). Others, instead, were a bit more diffuse: “For quite a long time it’s all been relying on trust and good faith...” (Interviewee #31, SE Incubator). With all this information I created a chart that represented how the different themes had evolved over the period of fifteen years, which helped me see patterns across the data (Miles & Huberman, 1994).

It became clear that ambiguity was abundant in the early years of social investment, when meanings and boundaries were far from being settled. The reports from that period,

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together with recollections from the interviewees that had been working long enough in the sector, helped me reconstruct the features of the aforementioned themes during the early years, not only in terms of ambiguity but also regarding the level of contestation. It was also evident that the lack of clarity decreased especially around the time when resources from the government were channeled in a very specific direction. This happened with the arrival of Big Society Capital in 2012, but also a few years before, especially in 2010 due to different events that took place around that time: the change in government, the imminent release of the resources from dormant bank accounts, the announcement of the first social impact bond, and the establishment of the Social Investment Forum as a trade association for social investors, together with longer processes that involved changes in the rules, identities, practices, and actors dominating the market. The coding and longitudinal grouping resulted hence in two periods with distinct levels of ambiguity – as well as distinct levels of contestation –, which I have labelled in the Findings section as “High Ambiguity and Low Contestation” and “Reduced Ambiguity and Increased Contestation”.

As mentioned earlier, deciding on how to periodize these 15 years of market development is a complex task. Although I finally ended up identifying two periods, 2000-2009 and 2010-2015, some considerations must be made. On the one hand, in the chronology in Appendix C we can see that it is actually a bit earlier, around 2007, that the different developments of the market start pointing in the same direction. However, some of these events did not have a clear effect in the social investment market until a few years later. For example, the Commission on Unclaimed Assets was established in 2006, but its conclusions (i.e. the creation of a wholesale social investment bank) only became effective in 2012. The organization Social Finance was created in 2007, but its main contribution – the launch of the first social impact bond – did not come to life until 2010.

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And the Good Deals conference, which started in 2008, increased its reach and importance in subsequent years. For this reason, and together with the more qualitative insights from the interviewees, it seemed more appropriate to *draw the line* in 2009-2010. On the other hand, I also wondered if having more than two periods would help better explain the developments of the UK social investment market. The period between 2010 and 2015 was certainly very dynamic and with many inputs, so at some point it seemed worthy to disaggregate it into two stages according to the level of contestation. However, because the different events in this period were really intertwined and the main purpose of my analysis was to focus on changes in ambiguity, I decided to stay with the two-stage periodization.

Nevertheless, far from leaving aside the importance of contestation in the dynamics of the market, I introduced it as one of the key elements of my conclusion. As we will see in section 4.4, I show that the increase in contestation in the period 2010-2015 appeared especially after the efforts by mainstream organizations to disambiguate the different features of social investment and it turned into a collaborative (rather than merely oppositional) type of contestation.

Two points are worth mentioning here. First, the presence or absence of ambiguity is not a dichotomous variable, but instead it is a continuum between higher and lower levels of ambiguity. For this reason, far from stating that after 2010 there is clarity and agreement about what social investment is and where it is heading, I say that the period has *reduced ambiguity*. This means that during those years there were still several features that created confusion among market participants and different constituencies, because social investment was still at an early stage if we take a long-term view of market formation. And second, the reduction of ambiguity is not homogenous across the different market

features. As we will see in the findings section, the haziness decreased at a different pace despite the common trend towards uniformity in the field.

Tables E.1-E.4 (in Appendix E) show the details of how the rules, identities, practices, and dominant actors evolved along the two periods, with some illustrative quotes and representative events. In the following section I provide a descriptive account of this process of market formation, reduction of ambiguity, and increase in contestation.

4.3 Findings

In this section I provide a descriptive account of the emergence and development of the UK social investment market between 2000 and 2015. Following the data analysis, I have divided this account in two different periods: one characterized by its high level of ambiguity across the different market features and another one where that ambiguity is reduced alongside an increase in the level of contestation.

Table 4.3 provides a summary of how the different features and themes identified in the data analysis changed from one period to another. In order to track and somehow ‘quantify’ these developments, I have assigned different degrees (low, medium, or high) of ambiguity and contestation to each of the features. This analysis shows that the trend towards lower ambiguity and higher contestation is prevalent in each area, although to varying degrees.

Table 4.3: Changes in ambiguity and contestation in the UK Social Investment Market (2000-2015)

<i>Theme</i>	<i>Concept</i>	2000-2009			2010-2015		
		High Ambiguity and Low Contestation			Reduced Ambiguity and Increased Contestation		
		<i>Ambiguity</i>	<i>Contestation</i>	<i>Description</i>	<i>Ambiguity</i>	<i>Contestation</i>	<i>Description</i>
Rules	<i>Government Intervention</i>	+++	++	Unclear strategy of the government, experimenting with different initiatives	+	+++	BSC as main channel for government intervention, its strategy questioned by small social sector organizations
	<i>Legitimacy</i>	+++	+	Lack of knowledge about whether (and how) social investment works	++	++	Ambiguity about its legitimacy persists in certain niches of the social sector
Identity	<i>Language</i>	+++	+	Variety of terms without clear definitions	+	++	Preeminence of the term ‘social investment’, which creates confusion among certain social sector organizations
	<i>Human Capital</i>	++	++	Different skills combined, although pioneers linked to private equity sector	+	+++	Former financial sector professionals dominate the field, but without credibility in front of the social sector

Legend: + = Low, ++ = Medium, +++ = High.

Table 4.3: Changes in ambiguity and contestation in the UK Social Investment Market (2000-2015) (*continued*)

<i>Theme</i>	<i>Concept</i>	2000-2009			2010-2015		
		High Ambiguity and Low Contestation			Reduced Ambiguity and Increased Contestation		
		<i>Ambiguity</i>	<i>Contestation</i>	<i>Description</i>	<i>Ambiguity</i>	<i>Contestation</i>	<i>Description</i>
Practices	<i>Financial Products</i>	++	+	Very different approaches included, but loans as the main tool	++	+++	Variation in tools for financing social enterprises, which often criticize the cost and complexity
	<i>Impact Measurement</i>	+++	+	Scarce attention is paid to measuring impact beyond showing success cases	++	++	Agreement on the need to measure impact, but presence of multiple frameworks and approaches
Dominant Actors	<i>Actors</i>	+++	+	Different actors involved in the sector, without clearly defined roles	+	++	Investors, investees, and intermediaries become more clearly defined, but some of them challenged
	<i>Domination</i>	++	+	Leadership of the sector linked to individual pioneers, but resources spread across different sectors	+	++	Clear influence of BSC and other governmental initiatives, producing mixed feelings among the social sector

Legend: + = Low, ++ = Medium, +++ = High.

4.3.1 High ambiguity and low contestation (2000-2009)

The 2000's saw the birth of a social investment market in the UK. The establishment of the Social Investment Task Force (SITF) in February of 2000 symbolized the starting signal for the getting together of those individuals and organizations interested in using some of the tools of the financial sector to improve the lives of the most disadvantaged people in the country. The SITF, the remit of which was “to set out how entrepreneurial practices can be applied to obtain higher social and financial returns from social investment” (Social Investment Task Force, 2000, p. 3) was an initiative of Sir Ronald Cohen, known as one of the founding fathers of the venture capital industry in the UK, two trade associations (UK Social Investment Forum and Development Trusts Associations¹⁰), and one think tank (New Economics Foundation). It soon earned legitimacy in the public and private spheres thanks to being endorsed by the Chancellor of the Exchequer (Gordon Brown, who would become Prime Minister a few years later) and chaired by Sir Ronald Cohen.

The SITF was very influential in the early development of the sector, with four out of their five recommendations being implemented shortly after the publication of their first report in November of 2000. It even had the seeds of what would become Big Society Capital a decade later, as it suggested the need for “wholesale intermediaries” (Social Investment Task Force, 2000, p. 24) to provide new sources of capital to the community finance sector. However, by that time the formal and informal **rules** of the field were unclear and not widely known. *Government intervention* took different avenues, from passing legislation for a Community Interest Tax Relief (in 2002) and for a new legal form for social enterprises to be registered as Community Interest Companies (in 2004)

¹⁰ Later merged with the association BASSAC and renamed “Locality”.

to financing private and public funds. These resources were deployed in different directions, hence promoting broad experimentation within the sector: £100m endowment for UnLtd for incubating social entrepreneurs in 2001; £20m for Bridges Ventures to invest in deprived communities in 2001; £125m for Futurebuilders England and £18m to Futurebuilders Scotland to increase the capacity of the third sector in delivering public services in 2004; £120m for the Financial Inclusion Fund to invest through CDFIs in 2004; £100m for the Social Enterprise Investment Fund to invest in providers of healthcare services in 2007; and £70m for Communitybuilders to invest in community organizations in 2009. During those early years, a small number of organizations started investing with the purpose of achieving financial returns but also significant social impact.

Moreover, and partly because of the varied success of those public and private initiatives, it was not clear yet whether it was possible for investors to combine social and financial returns in an efficient way – “Toby Eccles was running around doing the research (...) but no one really believed it” (Interviewee #14, SIFI). Therefore, the *legitimacy* of the sector remained questioned in those early years: “[social investors] weren’t really publicly celebrated or accepted until 2007 (...) it took five years of deal happening before you didn’t feel guilty about doing them” (Interviewee #14, SIFI). As a social entrepreneur said, “we could not get equity finance as investors were nervous about our trading subsidiary being part-owned by a charity” (quoted in Bridges Ventures, 2004, p. 23). However, a series of events happened towards the end of the decade which made acceptable the idea that social investment could be positive both for the investors and the social enterprises. The Commission on Unclaimed Assets, which published its reports in 2006 and 2007, followed by the Dormant Bank and Building Society Accounts Act in 2008 made clear the commitment of the government to invest in the sector. Other

important contributions were the success of Bridges Ventures' first fund, which achieved higher financial returns than expected and enabled them to raise a second fund of £75m in 2007, and Good Deals, the first nation-wide conference focused on social investment¹¹.

If governmental and other approaches had thus far been seen as anecdotal and complementary to the public provision of social services, the fact that unclaimed assets were being directed exclusively to create a wholesale bank raised some alarms within the most critical sectors. For example, the Directory of Social Change stated its concern that “the current policy debate around social investment is being portrayed by its proponents as the ‘fix-all’ that will remove the need for some form of subsidy for those organisations which operate in areas of so-called ‘market failure’”. Whether for charities or indeed even for social enterprises, we think this is unrealistic” (Directory of Social Change, 2009, p. 2).

During those years there was no clear or common *identity* of the social investment market. The *language* used was never the same, and therefore there was “no common understanding of the terminology surrounding programme-related investment or social investment” (Social Investment Task Force, 2005, p. 10). The term ‘social investment’ was employed both for socially responsible investment¹² (e.g. the UK Social Investment Forum) and as a general phrase to define “financial transactions intended both to achieve social objectives and to deliver financial returns to investors” (Social Investment Task Force, 2000, p. 3). Others also labelled similar practices as ‘ethical investment’ (Hartzell, 2007), ‘positive investment’, or ‘social finance’ (e.g. the organization Social Finance, founded in 2007). Even the Social Investment Task Force used mostly the language of

¹¹ The Community Development Finance Institutions had held since 2004 their own annual conference, organized by the Community Development Finance Association.

¹² Understood as doing negative or positive screening when investing in public stock markets.

community development finance in their recommendations, such as the Community Development Finance Association, the Community Development Venture Funds, or the Community Investment Tax Relief.

In terms of the *human capital* – the skills and expertise brought in to the industry by individuals – the identity was linked to some of its pioneers. Especially relevant is the figure of Sir Ronald Cohen, a former venture capitalist with strong connections to the leadership of the Labour Party. Cohen not only chaired the SITF but also became chairman of Bridges Ventures and of the Commission on Unclaimed Assets, as well as co-founder of Social Finance. As I heard in one conference, “would we have a social investment market if it weren’t for Ronald Cohen?” (field notes, 23/04/2015). Organizations filled with people from a financial background were landing in the social sector, sometimes creating an identity puzzle: “It was the personalities who enrolled in the Social Investment Task Force, who came with an investment mind-set from a very different world, who were trying to apply that methodology and those techniques in the social space, but without properly understanding the social enterprise part of it” (Interviewee #22, Advisor).

The identity of the market was a ‘broad tent’ under which different views and approaches were accepted, and hence the level of contestation was low. However, as the prior quote suggests, towards the end of the first decade of the 2000s some organizations linked to the social sector started to fear that the core of the social investment market was becoming co-opted by the financial sector and that they would not understand the idiosyncrasies of the social sector.

In a similar way, social investment *practices* were also varied – and sometimes contradictory – during those early years. *Financial products* ranged from financing

investments in deprived communities, to giving financial access to those excluded from the banking system, and to financing charities and other social sector organizations. This created confusion among market actors: “Social investment might mean building a luxury hotel in an area where there’s not very much employment (...) social investment might be giving a small charity the first £5,000 they need to start doing a commercial activity” (Interviewee #24, Social Enterprise). Some organizations gave small loans to charities, others provided high-engagement grants, others microfinance-like products for the financially excluded, others large loans or equity to commercial companies in deprived areas, and yet others advocated for a stock exchange. Although loans were the primary tool in use, it seemed that the future of social investment had to bring more innovative financial instruments, such as social impact bonds and equity-like funding for high-growth social enterprises.

Impact measurement was not homogenous either, and actually it was not something central to the field because most organizations did not know how to address the issue. Many people just assumed that social investment would have good impact: “I think for quite a long time it’s all been relying on trust and good faith that people are creating social impact” (Interviewee #31, Social Enterprise Incubator). Some organizations tried new frameworks: “we realized there was nothing out there like this in the market that kind of categorizes and it’s a framework for how you think about your impact and where it fits in the context of the UK” (Interviewee #6, SIFI); and others just waited until the field was more mature: “we have only been doing impact reporting for three years [since 2012]” (Interviewee #32, SIFI).

Similarly to the case of identity, the variation in financial instruments and impact measurement approaches decreased the possibility of contestation, because there was not a single, dominant tool to be opposed to. Instead, market actors and their stakeholders

accepted that it was a period of experimentation with new techniques for delivering and measuring social impact together with financial returns.

Identifying the ***dominant actors*** and the power relations among them is also necessary to understand the development of the social investment market. As one interviewee said, “At the start of the industry, everything was a challenge. Not enough companies, not enough capital, not enough technical assistance, not enough anything” (Interviewee #16, Platform). As in most nascent markets, the landscape and relations in the social investment space were not yet defined. For example, most of the recommendations of the Social Investment Task Force were focused on community development finance (i.e. investing in deprived or financially excluded communities), an approach that was not central anymore a few years later, when the Commission on Unclaimed Assets and a good part of the social finance intermediaries were focusing on investing in social sector organizations.

Different types of *actors* – resourceful individuals, the government, SRI organizations, associations of charities and foundations – were involved in the first steps of the market, without a clear sense of who would perform what role:

“This Task Force was an initiative of the UK Social Investment Forum, in partnership with the New Economics Foundation and the Development Trusts Association. It was announced by the Chancellor of the Exchequer in February 2000. HM Treasury had observer status on the Task Force.” (Social Investment Task Force, 2000, p. 3)

“The Community Development Venture Fund (CDVF) is essentially a private sector initiative, supported by the UK Government.” (European Commission, IP/02/528)

The value chain of the market was therefore not clear: who were going to be the social investors: private organizations, the government, trusts and foundations, commercial

banks? And the investees, were going to be profit-with-purpose companies, CDFIs, or social sector organizations? And what types of actors were going to mediate these exchanges?

The patterns of *domination* were also quite ambiguous. Even if resources from the government were an important driver of the market, they were mostly endorsing initiatives from other actors, such as investing in Bridges Ventures' early funds or following up on the recommendations from the Social Investment Task Force. The leadership came more often from the private equity industry (through the influence of Sir Ronald Cohen), the Community Development Finance Association, or certain charitable trusts and foundations.

This lack of a clear 'value chain' meant the absence of traditional 'incumbent vs challengers' contestation, as it was not clear were the core of the sector laid.

This 10-year period was hence marked by high levels of ambiguity around rules, identities, practices, and dominant actors, instead of having a clear institutional environment and a dominant approach to social investment to which peripheral actors could be opposed. Government intervention was significant, but still outside the mainstream political agenda and often following other actors' interests. Finally, there was broad experimentation in products and practices, but not much contestation against incumbent actors – probably because there were no clear 'incumbents' yet.

4.3.2 Reduced ambiguity and increased contestation (2010-2015)

By the end of the 2000s, social investment was beginning to be recognized as a field in its own right. This process was consolidated between 2010 and 2012, when the arrival of Big Society Capital made the mainstream view of social investment clearer. At the same time, in 2010 there was a change in the national government, with a coalition between the

Conservatives and the Liberal-Democrats replacing the former Labour Party. However, far from rejecting the previous approach to social investment as a tool for strengthening the social sector, the new Coalition government sped up and reinforced the bet.

From the point of view of the formal *rules* governing the sector, after the Dormant Bank and Building Society Accounts Act was passed in 2008, the Office for the Third Sector¹³ opened a consultation on the design and function of a social investment wholesale bank (Social Enterprise, 2009). The new government rebranded this policy concept as Big Society Bank in 2010, and it was finally launched as Big Society Capital (BSC) in 2012. The legislation around that time was mainly focused on developing social investment as a tool for social sector organizations: “social investment is about investment for social enterprises and charities” (Interviewee #28, Trade Association). Actually, the way in which BSC was finally structured made it difficult for them to fund organizations without a clear ‘asset lock’ – that is, organizations without a ban or a cap on dividend pay-out to shareholders. This meant that so-called ‘profit-with-purpose’ organizations would remain out of the scope of the mainstream policy approach to social investment. This *government intervention* was complemented by promoting the launch of social impact bonds (SIBs), a pay-for-success tool to fund the innovative delivery of public services, throughout the country with different policies. The government hence provided financial support for Social Finance to design and develop the first SIB and it launched the Innovation Fund in 2011 through the Department of Work and Pensions, which also used the SIB methodology. With the same purpose of introducing social impact into public commissioning decisions, the government passed the Social Value Act and launched the Social Outcomes Fund in 2012.

¹³ Renamed as Office for Civil Society in 2010.

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Apart from the intervention from the public sector, this period saw an increase of activity and attraction of considerable financial, human, and political capital: “Since 2012, when Big Society Capital came into being, we then began to see huge amounts of these support structures and various bits of funding and programs, which are designed to stimulate and support the market (Interviewee #24, Social Enterprise). Interestingly, this *legitimacy* came even before BSC was officially launched: “This was the time before Big Society Capital had been formed, but where people knew that it was on the way, so there was quite a lot of interest in social finance, social investment, and social impact bonds, there was a lot of talk, and a lot of chat. A number of the intermediaries were in the process of setting themselves up at that time” (Interviewee #22, Advisor). However, despite the endorsement from certain sectors was evident (e.g. Prime Minister David Cameron endorsed the G-8 Social Impact Investment Task Force, chaired by Sir Ronald Cohen in 2013), for certain organizations in the social sector it was not clear yet how BSC or social investment more generally could help them:

“Big Society Capital, there are lots of things that have been frustrating and wrong with it, but undoubtedly it had the effect that they wanted it to have, which was to stimulate the market” (Interviewee #14, SIFI)

“If [social investors] are able to achieve financial returns that in-line with the market (...) I would question whether they are as social as they claim to be” (Interviewee #22, Advisor)

For others, this narrower scope of government intervention meant that they felt ‘left out’ of the market: “Most CDFIs have now given up on Big Society Capital as a serious long-term investor” (Interviewee #15, Trade Association). Therefore, contestation from certain market actors was increasing as they thought that the market was taking a shape that it was not what they expected.

After some years without a clearly defined *identity*, the early 2010s saw a homogenization of the *language* used:

“Social investment is the one I hear most often” (Interviewee #25, SIFI)

“I think more people now would be familiar with the term social investment”
(Interviewee #22, Advisor)

“A field that references itself as a social investment market would seem to be over the past five or six years” (Interviewee #23, Government)

Terms like community finance or community development were being left more and more aside as social investment was reduced to only including the funding of social sector organizations. For example, one of the most relevant social investment fund managers, in terms of assets under management and being pioneer in the field, changed its name from Bridges Community Ventures to Bridges Ventures in 2007, and its Community Development Venture Funds became Sustainable Growth Funds (Bridges Ventures, 2013). Similarly, if the first reports from the Social Investment Task Force were labelled “Entrepreneurial Communities”, those published by the government around the launch of Big Society Capital were named “Growing the Social Investment Market”. The homogenization of the language reflected that social investment was becoming a field of its own right, focused on the combination of financial and social returns: “The mission has been to grow and develop the social investment market, not to find appropriate ways of funding social enterprises” (Interviewee #22, Advisor). This move from the needs of social enterprises to the needs of social investors meant that certain actors saw social investment morphing from being a ‘means to an end’ to being an end in itself. This reinforces the idea that the different market features (in this case, language and practices) are intertwined and influence each other.

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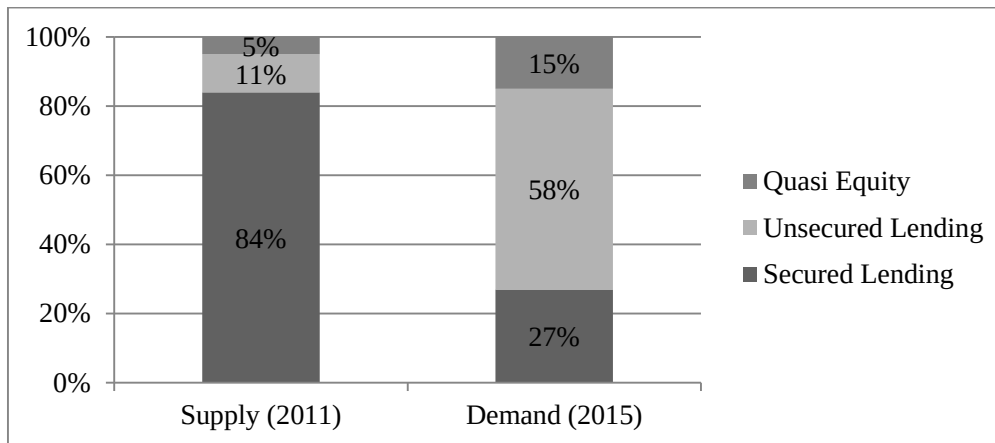
By that time it was clear that the *human capital* coming from the financial sector had become very influential in the identity of the social investment space: “Most of our directors have investment banking background” (Interviewee #12, Advisor). This was not only because of the number of people and their high ranks in most organizations, but also because they had more legitimacy among investors, reflecting that the financial ‘logic’ had become more central to the market than the social one: “All of us come from the city. We’ve all been in either stock exchanges, or investment banking, or corporate finance, or corporate advisory. We tend to come from a finance background first, and then a social background second” (Interviewee #16, Platform). This crowding of social investment organizations with people from the financial markets was evident also in the design of Big Society Capital: “the model that we ended up with was based on people coming from the financial services industry and their vision of what this kind of institution would look like” (Interviewee #24, Social Enterprise).

This had an influence on the sector itself and also on how it was perceived by others: “They kind of behave like traditional private equity investors, the impact investors do. They are dominated by private equity guys with the same mentality” (Interviewee #17, Platform). In fact, linking the social sector to mainstream financial markets at a time when the 2008 financial crisis was still very recent was sometimes seen as having perverse effects and led to increased contestation: “One of my favorite quotes from Nigel Kershaw [CEO of the social investment fund Big Issue Invest] is ‘We don’t want any of their toxic thinking’ [from the financial sector] (Interviewee #14, SIFI).

These different points of view were often evidenced in industry events, but around this period after 2010 field-level conferences were also important in the effort to reduce the lack of clarity around social investment that had been present over the previous decade. One of the sessions of the Good Deals conference of 2015 was labelled “A call for clarity”

(Field notes, 19/10/2015), and panelists highlighted how they were trying to become more transparent by publishing details about their investment approach and sharing their investment data to build sector-wide databases like EngagedX. They also emphasized that social enterprises need to know what kind of investors they are incorporating to their organizations, and Rod Schwartz from ClearlySo called for more humbleness to accept that “the sector was smaller, and the performance lower that we would like” (Field notes, 19/10/2015). Participants in another panel also mentioned that “collaboration requires a common language” (Field notes, 20/10/2015), hence showing that the process of disambiguation that the field was undertaking was necessary to drive it forward.

Linked to this sharpening of the financial identity, we see a similar trend in the *practices* of the sector: “You definitely see a prioritizing of the financial returns” (Interviewee #29, Foundation). In terms of the *financial products* offered, this took two different ways. On the one hand, there was a preference for standard financial products: “Secured loans are a dominant form of finance in the social investment market” (Interviewee #24, Social Enterprise). According to an industry report (City of London, 2013), 90% of social investment was secure lending in 2012. In this sense, there seemed to be a disconnection between the social finance innovation discourse and the kind of products where most funding was being allocated. The number and size of equity investments and social impact bonds was small, “but they’re still being trumpeted at the conferences” (Interviewee #24, Social Enterprise). Even with the scarce quantitative data available from this period, we still see that this lack of coherence between supply and demand (see Figure 4.3) did not help resolve ambiguity around social investment products.

Figure 4.3: Social investment supply and demand by financial product (%)

Source: Boston Consulting Group (Boston Consulting Group, 2012)

On the other hand, this taste for complex financial products was exemplified in the rise of social impact bonds: “If you get a lot of ex-bankers in the room, we are prone to over engineering, and going down an intellectual procedure for what would be perfect in a perfect world, but is that remotely relevant for a small established charity or social enterprise based outside of London?” (Interviewee #9, SIFI). For example, the first social impact bond was launched by Social Finance in 2010, and after that there was a rapid increase in payment-by-results contracts with different departments of the UK government, with 15 operational and another 15 in development by the end of 2014.

At the same time, *impact measurement* was becoming more and more important. For example, the Global Impact Investing Network, launched by the Rockefeller Foundation, JP Morgan, and other partners in 2009, defined impact investing as “an investment approach that intentionally seeks to create both financial return and *measurable* positive social or environmental impact” (World Economic Forum, 2013, p. 4). In the UK, social investors and intermediaries were also putting more and more emphasis to the centrality of impact measurement in the social investment process:

“We have our own framework, around what we think a highly-effective organization looks like” (Interviewee #29, Foundation)

“As a pre-condition of their entry to [our platform] they undertake to do an impact report” (Interviewee #16, Platform)

“Every social impact bond contract is fundamentally based around impact measurement” (Interviewee #12, Advisor)

However, by 2014 the sector was far from reaching an agreement on how to measure social performance: “[Impact measurement] is probably an area that everybody struggles with, and there’s still lack of consistency” (Interviewee #32, SIFI). While for some organizations quantitative measurement was the only way forward, others were concerned about the implications for the social sector: “Certainly on the whole metrics and measurement conversation, I think there has been improvement but, as I said earlier, I worry that we have raised the bar too high” (Interviewee #11, Advisor). Field conferences such as Good Deals or the Ethex Annual Gathering showed that some organizations looked for specific measures of social impact while others emphasized the need for working towards a more systemic change.

Therefore, despite its developments, there was still substantial ambiguity around impact metrics and no agreement on a ‘best practice’, hence maintaining a relatively low level of contestation if compared with other market features. In terms of financial products, although there were still a number of approaches with which social investors were experimenting, contestation was high against some of the instruments embraced by mainstream actors that had not proven their adequacy for financing social innovation and social sector organizations, such as social impact bonds: “The insider position, if you talk to people at Big Society Capital, is that things like quasi-equity and some of these more

complicated instruments, the insider line is these things just don't work" (Interviewee #24, Social Enterprise).

Finally, ***dominant actors*** in the social investment market had also stabilized by the beginning of the 2010s. The main *actors* included, apart from the government and Big Society Capital on the supply side, large social sector organizations on the demand side, and a new breed of social investment intermediaries. Social banks, such as Charity Bank or Triodos, and large SIFIs, such as Bridges Ventures or Resonance, had become the main financial intermediaries, accounting for 97% of the social investment market in 2011 (City of London, 2013). Instead, previously relevant intermediaries like local CDFIs became relegated to a marginal position because of their focus on financial inclusion instead of on financing social sector organizations:

"I don't think that Big Society Capital investments really have very much impact at all on the bulk of CDFI customers. Partly because, yes, it's focused on the traditional sort of voluntary, community, social enterprises. But partly also because it is very risk-averse, and there isn't any kind of first loss cover. So it's not actually very much more attractive to many than straight commercial loans" (Interviewee #15, Trade Association).

While direct or indirect public funding represented an important segment of supply, the demand concentrated on large charities and social enterprises, to the expense of smaller organizations: "The very largest social enterprises for whom the common social finance market is probably the most appropriate (...) They do not represent the interest of, I would say, 95 per cent of the rest of the sector" (Interviewee #22, Advisor).

In 2012, 4 social banks and 9 SIFIs accounted for 97% of the market (City of London, 2013), and most of the new developments of the market, such as investment readiness funds, the increasing number of social impact bonds, the Social Value Act for increasing

commissioning to social enterprises, or the Social Investment Tax Relief, were led by the government and Big Society Capital.

Domination by the government and Big Society Capital was partly consequence of resource dependencies, as public resources were increased and channeled mostly through BSC. The £400m from unclaimed assets and the £200m from an agreement with the main commercial banks in the UK are a sign of the commitment of the Coalition Government to a specific type of social investment market. As Prime Minister Cameron said in a speech in Liverpool in July 2010, his government would “create a Big Society Bank to help finance social enterprises, charities and voluntary groups through intermediaries”, which would be “established using every penny of dormant bank and building society account money allocated to England”¹⁴. Since then, the idea that social investment was for social sector organizations that were large enough to borrow significant amounts from social finance intermediaries became predominant in this space. As a consequence, the government-BSC network became central to the market. The wholesaler institution had invested or committed investments in over 30 organizations by 2014, thus controlling most of the provision of financial capital to the social investment market: “[Big Society Capital had] such an interesting position in the market, that whatever they say, people kind of have to do” (Interviewee #6, SIFI). This dominant position stimulated the market, but it also reduced overt criticism:

“There isn’t really very many people who aren’t on the payroll in some way, and that creates a real difficulty (...) there are very few people who aren’t in some ways dependent on these government funding streams (...) you can’t really spend your whole time slagging off and criticizing the people who are ultimately going to pay your bills” (Interviewee #24, Social Enterprise).

¹⁴ <http://www.britishpoliticalspeech.org/speech-archive.htm?speech=321>

4. Ambiguity and Contestation

As a social investment fund manager said during a presentation, “you don’t bite the hand that feeds you” (Field notes, 13/02/2015, Presentation by a SIFI). The role of the government’s domination on the reduction of ambiguity clearly comes through in these words from an informant:

“Social investment, as it originated and grew in popularity over the 2000s, it was an idea that everyone had their own version of it, and government, because that’s what governments like to do, encouraged everyone to have their own version or own understanding (i.e. the government’s) of what social investment was” (Interviewee #24, Social Enterprise)

However, not everything that had to do with social investment in the UK was so closely related to this dominant network of actors. As Kieron Boyle (then Head of Social Investment at the Cabinet Office) said in a panel on the role of governments at one of the Good Deals conferences, “many things in the UK do not fit the regulatory scheme” (Field notes, 20/10/2015). At that conference, some participants also highlighted that there was no need to have “a Silicon Valley of social entrepreneurship” (Field notes, 20/10/2015), meaning that local, situated, community-run solutions could be more appropriate to address the challenges of the social sector than large organizations operating at scale with homogenous approaches.

At this point, central events such as the Good Deals conference were criticized by some industry participants. Despite the fact that it was the venue to meet other market actors, the general sense was that the conference had become “industry insiders speaking to industry insiders” (Field notes, 19/10/2015), instead of opening the field and bringing resources and skills from other sectors.

Similarly, some of the people involved in the social entrepreneurship and social investment spaces in the UK realized that the Skoll World Forum, an event held every

year in Oxford to promote the field of social entrepreneurship, had become too “elitist” and it was very difficult for community-based organizations to attend those sessions (Field notes, 12/04/2012). For this reason, these critics started in 2010 an event called Oxford Jam, which was held in Oxford in parallel to the Skoll World Forum but was open to everyone and there was no need to pay a registration fee. Since then, this alternative event (which was rebranded in 2015 as Marmalade) has been taking place every year and attracting an increasing number of attendees.

However, contestation against this dominant position of mainstream actors was hence often held ‘behind the curtains’ and often developed, as we will see in the following section, in a *collaborative* fashion rather than as straight confrontation.

This period between 2010 and 2015 saw a reduction of ambiguity and experimentation as the government channeled its resources through Big Society Capital, and the model of lending relatively large amounts of money to social sector organizations became the core of the social investment market. Government intervention and legitimate norms were more specific; the identity of the sector was more defined; common practices converged towards loans, social impact bonds, and more emphasis on impact measurement; and the role of the different actors became more clearly defined. Together with this general trend of reduction of ambiguity, the field experienced an increase in the level of contestation, which came from actors that either felt displaced or did not agree with the more narrow approach to social investment that was being pushed forward.

In the next section, I provide more details about the evolution of the market by showing how it has moved from a period of uncontested ambiguity to top-down disambiguation and collaborative contestation.

4.4 From Uncontested Ambiguity to Collaborative Contestation

My research on the initial stages of development of the social investment market in the UK has provided a good window of observation to understand how an emerging and complex field moves from a period of broad experimentation to one of relative – and temporal – homogeneity. My effort has focused on *unpacking* this ‘era of ferment’ that has been previously identified by different traditions in the sociology of markets (Anderson & Tushman, 1990; Kaplan & Tripsas, 2008; Lawrence et al., 2002; Lounsbury et al., 2003). I have done this by looking first at the different features in which we can find market ambiguity, and then by looking at the relation between ambiguity and contestation. The result has been, as we have seen in the previous sections, a detailed account of the evolution of the social investment market from high ambiguity and low contestation to a reduction of ambiguity and an increase in the level of contestation.

While the previous sections have focused specifically on the evolution of the four market features that appeared relevant in the process of data analysis, here I give a more general account of the dynamics of the social investment market and its political and cultural environment.

It is interesting to note the bipartisan support that the social investment space has enjoyed over the last 15 years. While the initial policies from the early 2000s (the Social Investment Task Force, the funding of Bridges Ventures and Social Finance UK, etc.) had the imprint of the Labour party, the arrival of the Coalition government in 2010 only strengthened those policies: it established a new task force in a similar direction, it supported other social investment funds, and it spread the social impact bonds designed by Social Finance UK to different departments. Moreover, the key policy intervention of

establishing Big Society Capital with funds from dormant bank accounts was an idea of the Labour government that was later made a reality by Prime Minister Cameron.

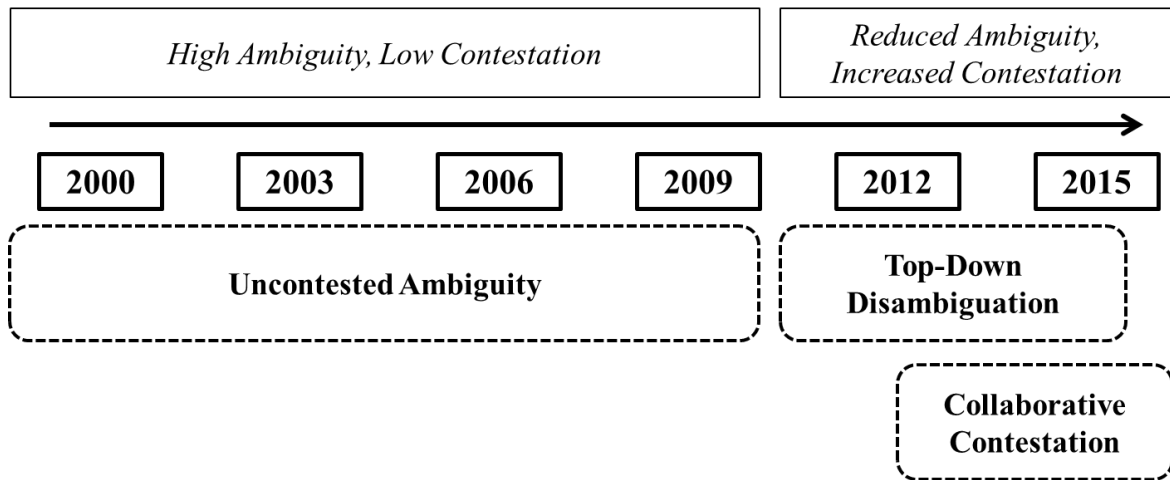
To understand this common approach from the two main (and most of the time, opposed) political parties in the country we need to go one step back and think about who is influencing policymakers beyond their own party ideologies. For example, a close look at the developments in the social investment market shows the constant presence of Sir Ronald Cohen in many of the organizations and field-level initiatives (the Social Investment Task Force, Bridges Ventures, the Commission on Unclaimed Assets, Social Finance UK, Big Society Capital). His prestige as one of the main venture capitalists in the UK has allowed Cohen to be very influential on the different governments. Cohen himself epitomizes the impact that the private equity industry has had in the development of social investment, as we have already seen that he and other former employees from the traditional financial markets have held senior positions in many social investment organizations. This has been seen by some researchers and market analysts as the influence of neoliberalism on the social sector (Nicholls & Teasdale, 2016), which has fueled part of the criticism from social investment actors.

My findings have given us a perspective on the early moments of market formation where the different features of market ambiguity are highly intertwined but can be reduced at different paces. As mentioned in a plenary session at the Good Deals conference in 2015, the UK social investment market was more developed in terms of a favorable regulatory environment, sufficient knowledge and expertise, and product innovation, than in having agreed-upon impact standards and reporting tools (Field notes, 20/10/2015).

In addition, the relation between ambiguity and contestation allows for more nuance in the description of the two periods mentioned above. In this sense, I have labelled the first

decade of the social investment market in the UK as ‘uncontested ambiguity’, and the following years as a combination of ‘top-down disambiguation’ and ‘collaborative contestation’ (see Figure 4.4).

Figure 4.4: Dynamics in the early moments of the UK Social Investment market (2000-2015)



Source: Author's analysis.

Uncontested Ambiguity (2000-2009). This period was characterized by high levels of ambiguity in all the market features that have been analyzed. As seen in the description above, the lack of clarity regarding the rules, identities, practices, and dominant actors meant that it was improbable to find significant contestation. Instead, the general dynamic of experimenting and trying out new government interventions, new financial products, or new organizational forms was conducive for a sense that the field was in a very early stage, and hence there was no dominant practice or actor to be opposed to. This dual attention to ambiguity and contestation shows that it is important to distinguish these two features in studies of market formation, instead of just saying that new markets are “full of ambiguity and contestation”.

This period ended towards the end of the first decade of the 2000s, when different initiatives – including the Commission on Unclaimed Assets, the support to Social Finance for the development of Social Impact Bonds, the launch of the Good Deals conference, and the establishment of Social Investment Forum as the main trade association in the sector – started to point in a particular direction as to where social investment was heading to.

Top-Down Disambiguation (2010-2014). There are different ways in which market ambiguity gets resolved over time, such as interactions between consumers and producers (Rosa et al., 1999), the relation between technologies and categories (Grodal et al., 2015), the mobilization of a certain discourse (Weber et al., 2008), collaboration among industry organizations (Lawrence et al., 2002), or different types of regulation (Morgan, 2008).

In the case of the social investment market in the UK, I have observed a top-down process of disambiguating what social investment means and what the main features of the field are: “So it’s clearly been the government, in the UK it’s been the government that’s driven the development of the market more than anything else” (Interviewee #24, Social Enterprise). As we have seen in the account of the two periods, there have been a few organizations that have become the core of the market and have influenced its major developments: chiefly the government (first the Labour, then the Coalition), Big Society Capital, and the figure of Sir Ronald Cohen. They have founded or been highly involved in most of the key field-level projects, such as the Social Investment Task Force, Bridges Ventures, Social Finance and the development of social impact bonds, the Commission on Unclaimed Assets, investment readiness funds, Big Society Capital itself, the Social Investment Forum, or the G-8 Social Impact Investment Task Force (now the Global Steering Group on Social Impact Investment).

Interestingly, this process of disambiguation has not produced clear *winners and losers* in the social investment space. On the one hand, it could seem that profit-with-purpose organizations (or for-profit social enterprises) have lost momentum because most of the funding, especially when channeled through Big Society Capital, has targeted social sector organizations with a clear asset-lock and limitations to the payment dividends. However, when speaking to social sector activists, it was clear that they also felt displaced from the social investment market that was being built. The reason is that funds from Big Society Capital and other social investment intermediaries have interest rates that rarely fall below 8%, and at the same time those funds have internal incentives to do larger deals so that they can reduce their transaction costs. This means that a small social enterprise that seeks £25,000 at an interest rate of 4%, which is the type of funding that most social enterprises look for (Lyon & Baldock, 2014), will find it difficult to be financed by social investors.

The result is that, by the end of 2015, most social investing was geared towards relatively large and well established social enterprises, often contracting with the government, while other potential investees remained in the margins. However, the criticism has been stronger from the social sector than from the for-profit world, because the former had the urgent need to find alternative forms of finance after the cuts in government funding and had higher expectations on how the money from dormant bank accounts would help them. As we will see in the next section, some of the more recent developments of the sector (such as the creation of the Access Foundation) point at possible solutions for this discontent.

Consequently, one of the important insights of my research has been that this top-down process has only been one step in the larger period that I have labelled as the ‘early moments’ of market formation. Not only has it been preceded by more varied activity and

experimentation around the different market features, but it has also been followed (and also coexisted with) a type of contestation that has been generative for the development of the market and that I describe in the next section as ‘collaborative contestation’.

The reason for the transition from (and overlapping of) top-down disambiguation to a period of contestation can be found in the different degree of agreement if we distinguish between means and ends. The challenges of the UK social sector, where government funding had been decreasing and leaving many charities at the verge of collapse, together with the difficulties to use taxpayers money (even if it came through dormant bank accounts) to invest in for-profit activities (because of the potential huge gains of private investors), steered the social investment sector to focus on providing finance to social sector organizations. In this process, the role of Big Society Capital and other intermediaries was crucial, as they geared attention and resources to the needs of the social sector.

This meant that, after 2010, the social investment space started to coalesce into a market for funding social sector organizations with repayable finance. The goal of the sector was hence better defined, leaving other possible routes – e.g. financial inclusion or funding innovative, for-profit social ventures – at the margins of the new market. However, this *agreement over the goals* brought an increase in *contestation over the means* to achieve those goals. While mainstream organizations fostered social impact bonds and secured loans to relatively large social enterprises, social sector activists complained that, with that approach, they were disregarding 95% of the social enterprises in the UK (Interviewee #22, Advisor).

Collaborative Contestation (2012-2015). The consequence of narrowing the broader social finance space in the UK into what has finally become the social investment market

was the increase in the level of contestation of those organizations that did not agree with this particular vision. However, I have observed three patterns that have made me label this process as one of *collaborative contestation*: receptivity among mainstream organizations, sympathy from the critics, and spaces of negotiation to work for a common goal.

First, Big Society Capital and the Cabinet Office have shown their receptivity when faced with criticism from other organizations. For example, when the Alternative Commission on Social Investment was set up in October 2014 “to investigate what’s wrong with the social investment market”¹⁵, they were in close contact with Big Society Capital because the wholesale bank wanted to hear their conclusions and learn from their findings:

“Big Society Capital has been very supportive of it so far. We’ve had about four meetings with various members of their team. Other people in the Social Investment Business have been supportive, and Big Lottery. So a lot of the key stakeholder organizations are very keen to hearing suggestions”
(Interviewee #24, Social Enterprise)

Jonathan Jenkins, the CEO of the Social Investment Business Group (another big player in the UK social investment market), was indeed receptive to the points made by the Alternative Commission:

“I welcome all contributions and suggestions to improve social investment. I’ve been saying for some time that all social investors must get better at meeting the needs of frontline organisations and this report echoes that (...) This is still a relatively young market and many of the issues identified in the report are being addressed through initiatives such as Big Potential or the Access Foundation”¹⁶.

¹⁵ <http://socinvalternativecommission.org.uk/>

¹⁶ <http://www.pioneerspost.com/news-views/20150330/after-the-gold-rush-saving-social-investment-hype-and-hubris>

The two initiatives that he mentions at the end are another two examples of government and BSC's responses to challenges from different market actors. Both came from the realization that most funds in the social investment sector were not reaching frontline social enterprises fast enough or they were excluding a major part of the small and medium social sector organizations. In the words of Nick O'Donohoe, former CEO of Big Society Capital: "The time it is taking for money to reach the front line has been slower than I would have hoped"¹⁷. This receptivity and willingness to make necessary changes, although sometimes hidden behind the curtains, arrived to other organizations within the field: "If you talk candidly to Big Society Capital, they are the first to admit that they're worried about the slow pace at which their money is actually reaching the frontline" (Interviewee #15, Trade Association).

In the same line of being open to change, Big Society Capital announced in 2015 that its new CEO would be Cliff Prior, a person with more than 10 years of experience as the director of a charity and who had been involved in the social finance space (as CEO of UnLtd) since the very beginning. As he said in an interview with Third Sector in May of 2016: "I hope my charity background is going to be really useful, and I guess that's why members of our board were looking for someone who both understood social investment and principally came from a charity and social enterprise background"¹⁸.

Second, those who were critical of the mainstream approach to social investment were generally sympathetic with the difficulties faced by those central organizations. For example, in describing the role of the Alternative Commission, one of its proponents said: "It's a project with a constructive aim, we're not going to come to the end of the commission and conclude that social investment is all a load of rubbish and we should

¹⁷ <http://www.bigsocietycapital.com/blog/our-second-birthday>

¹⁸ <http://www.thirdsector.co.uk/cliff-prior-thinking-big/finance/article/1395903>

get rid of it. We're going to come up with some hopefully constructive suggestions for how you can make it better" (Interviewee #24, Social Enterprise). This constructive tone was also visible when interviewing some of the social investment critics:

"I have some sympathy with some of the social investment intermediaries, because they're struggling to establish their model, and the market is a bit dysfunctional, and very bespoke. But ultimately, they are there, in my opinion, to provide the right sort of finance to make impact happen at the front line. And if they're not doing that, then there needs to be ways to do it" (Interviewee #28, Trade Association)

"When this government came in, as much as I don't really want to give them credit for an awful lot, one of the things they did was make Big Society Capital happen. And even, well you know, Big Society Capital, there are lots of things that have been frustrating and wrong with it, but undoubtedly it has the effect that they wanted it to have, which was to stimulate the market, because there are exponentially more investors that we can talk to" (Interviewee #14, SIFI).

"I think social impact bonds do have a place, and could be quite successful, as long as they're done on a scale that means that they can cover their costs, because putting together a social impact bond is a very expensive business" (Interviewee #22, Advisor)

Together with the aforementioned receptivity of mainstream organizations, this lack of outright confrontation from the critics (and instead their capacity to put themselves in the others' shoes) made it easier to have an ongoing collaborative relationship.

Third, and linked to the previous two points, it is the fact that incumbents and challengers often work together when trying to move the field forward. Other researchers have labeled this mechanism as enabling *spaces of negotiation*, referring to "arenas of interaction that allow members of each group to discuss the trade-offs that they face" (Battilana, Sengul, Pache, & Model, 2015, p. 1658). For example, in April 2015 a two-day event took place

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in Oxford to think about improvements and new directions for the social investment sector. The workshop was organized by the team of the Alternative Commission and much of the discussion was disapproving with the situation of the market, but the attendants – who worked shoulder-to-shoulder during those two days – included executives from Big Society Capital, Social Finance, the Social Investment Business Group, and other mainstream organizations (Field notes, 13/4/2015).

Other conferences and field-events were also part of these spaces of negotiation, as powerful proponents of the main social investment approach sat together with more critical actors in many panels and roundtables (Field notes, 20/10/2015). Discussions ranged from the structure of Big Society Capital to the success of social impact bonds, and from whether or not there were enough investment opportunities to alternative funding sources for smaller social sector organizations. These panels evidenced that most of the discussions revolved around the means that were more efficient for the success of the market (what financial products, what type of impact measurement, what degree of risk), while the goals of the sector (providing relevant funding for impact-driven organizations) were often shared among most market participants.

However, not all field events seemed to be equally successful as spaces of negotiation. I mentioned earlier how some of the sector critics started Oxford Jam as a parallel event to the more elitist Skoll World Forum because, while the latter was successful in raising global awareness of the social entrepreneurship and social investment sectors, the former was better able to bring together industry incumbents with their own critics. In fact, some of the most central organizations ended up finding Oxford Jam more useful for their purposes: “We go to Oxford Jam, which I think is one of the best” (Interviewee #9, SIFI).

Another ‘space of negotiation’ is actually a *virtual* space: the blogosphere and the social media. Many of the organizations working in the social investment market have their own blogs and are active in social media platforms such as Twitter. I analyzed 10 blogs with over 1,300 posts and I saw that there were many references among each other, either to events or reports from other organizations or to specific opinions from other social investment actors. A specific recent example is Big Society Capital tweeting a blog post by New Philanthropy Capital (an organization that is more ambivalent about the mainstream vision of social investment), where its Chief Executive Dan Corry was quite critical with Social Impact Bonds: “So far SIBs have usually been about securing cash savings for the public sector, and less about other concepts like well-being”¹⁹.

4.5 Discussion

With this chapter I have contributed to the literature on nascent markets in different ways, which I note below and which I also specify in further detail in Chapter 7.

Firstly, I have provided a framework to understand the nature of ambiguity in the early moments of market formation. While other researchers have defined ambiguity in nascent markets generally as the “lack of clarity about the meaning and implications of particular events or situations” (Santos & Eisenhardt, 2009, p. 644), my more granular framework will help students of market formation better unpack and track that *lack of clarity* over time and across different market features. Interestingly, I have developed the framework through a blend of extant theory and empirical data, as the dimensions of ambiguity that I have identified (rules, identities, practices, and dominant actors) come from going back and forth between the existing literature and the findings from my research context. On

¹⁹ <http://www.thinknpc.org/blog/some-ifs-and-buts-around-social-impact-bonds/> (last accessed on 16/08/2016)

the one hand, I join researchers that have already started bringing together different theoretical traditions in their study of nascent markets (Grodal et al., 2015; Pacheco et al., 2014). On the other hand, I go beyond their limited attention to only two theories by leveraging the insights from four important perspectives within the sociology of markets, which provides a more comprehensive understanding of the concept of ambiguity.

With my findings I also challenge the assumptions of those theoretical traditions that assume that the resolution of ambiguity is followed by a period of market stability (see section 2.4.5 in the literature review). Instead, I have found that top-down efforts to resolve ambiguity can be followed by an increase in the levels of contestation. This should lead researchers to question whether a trend to lower levels of ambiguity in product definitions, shared meanings, power relations, or institutionalized norms is the starting point of stability or rather a temporal plateau that can surface debates and disagreements that are yet to be resolved.

Another important contribution of this chapter is the concept of *collaborative contestation*, which is presented as a mechanism that combines top-down and bottom-up dynamics to explain processes of market formation. In this case, top-down dynamics where represented by the openness from mainstream organizations to hear the criticism of more peripheral actors, while bottom-up efforts where epitomized by the sympathy of those critics to the difficulties faced by incumbent organizations to build a sustainable market. This challenges accounts of market formation that focus only on the actions from central and powerful organizations (Greenwood & Suddaby, 2006; Santos & Eisenhardt, 2009), as well as those that only pay attention to the influence of social movements and challenger organizations (Arjaliès, 2010)

Importantly, in the case of the UK social investment market, top-down and bottom-up efforts are complemented by the appearance of *spaces for negotiation*, which represent those venues where different parties come together to share and reflect about the challenges and opportunities of the market (Battilana et al., 2015). This highlights convening as an important mechanism for field evolution (Dorado, 2005), a topic was further analyzed by Mair and Hehenberger (2014) when they showed that different types of events can have distinct roles in processes of market formation.

Finally, the findings from this chapter also contribute to our understanding of the long-term nature of social innovation and the importance of the role of the government in processes of market formation, as I specify in section 7.2.3.

After all, most organizations in this space feel that growing the market and increasing its social impact is part of their mission. For this reason, apart from specific individuals or organizations that might look only for their own benefit, it is not strange that the norm is to collaborate towards a common goal even when there is disagreement or contestation about the means that are needed to reach those goals. While Pache & Santos (2010) showed that the internal representation of different means and goals is important to understand how organizations respond to institutional demands, I highlight that those means and goals are not just organizational decisions but rather are collectively constructed over long periods of market formation.

5 The Roles of Intermediaries in the Formation of the UK Social Investment Market

“Financial markets are often defined through the activity of the intermediaries really. Markets being about places of connection”
(Interviewee #23, Government)

5.1 Introduction

Scholars studying the sociology of markets have tried to explain how messy and complex markets come to be (Biggart & Delbridge, 2004; Fligstein, 1996, 2001b; Hirsch et al., 1987). This work starts from assumptions that are different to those that ground neoclassical economic models, which define markets as having perfect information, a large number of same-sized firms, homogeneous products, and rational and independent actors. Especially interesting is to consider what cognitive, political, and institutional processes take place before markets become recognizable (Munir & Phillips, 2002; Porac et al., 2002). Studying the early stages of a market we can learn about its subsequent development (Geroski, 2003; Padgett & Powell, 2012a), precisely because the boundaries and standards that are set at that point are often determinant for its future structure and competitive landscape (Santos & Eisenhardt, 2009).

Despite recent research that portrays markets as strategic action fields and focuses on change, stability, and contestation (Fligstein & McAdam, 2012), we find only preliminary attention to those interorganizational mechanisms that allow markets to evolve from an unstructured, ambiguity-filled, and disconnected space to a situation where demand and supply meet each other under commonly accepted norms, practices, and product definitions. As we saw in Chapter 2, different accounts of market formation put emphasis on networks, power, or culture (Abolafia, 1998; Fligstein, 1996; White, 1981).

With this framework in mind – that we need to understand the networks, power relations, and culture in which markets are embedded – I focus on the processes that take place during the emergence of new markets. The first assumption from these institutional approaches is that individual or organizational market actors are not usefully depicted as independent, rational, and utility-maximizers, but neither are they cultural dopes whose actions are pre-determined by larger societal forces (Granovetter, 1985). Seeing actors as embedded agents (Battilana & D'Aunno, 2009) is a first step to understand the role they can play in the early stages of a new market. However, these actors can rarely effect change on their own, precisely because the contexts in which markets emerge are complex from an institutional point of view (Mair et al., 2012). For this reason, we need to look at different kinds of actors, and especially at the interactions among them (Phillips, Lawrence, & Hardy, 2000) to understand the evolutions of markets and fields.

Treating markets as ‘fields’ emphasizes this idea of acknowledging and shedding light on how emergence, stability, and change in markets comes from the relations of different actors among them and with their environment, which result in a series of rules, identities, and patterns of domination that shape the boundaries, the practices, and the level of competition (Fligstein, 2001b; Fligstein & McAdam, 2012; Lounsbury et al., 2003). For example, these two quotes from Justin Fox’s (2009) account of the birth of the index fund industry within the financial markets are an example of the role that regulators, media organizations, and intermediaries such as fund managers can have in enabling a new sector to emerge:

“[Arthur] Lipper asked the SEC in 1969 for permission to launch what he called a ‘stock average fund’ that would hold the thirty Dow stocks. According to Lipper, the SEC never responded. Regulators weren’t ready for such a bizarre idea quite yet.” (p. 125-126)

“[Jack] Bogel got SEC approval for the [index] fund in 1976 but struggled to find a Wall Street firm willing to underwrite its launch. Then the magazine that had gotten him into the mutual fund business, *Fortune*, came through for him with a lengthy article by a recent graduate of the University of Rochester’s Business School, headlines ‘Index Funds-An Idea Whose Time is Coming’. After that, the money flowed” (p. 130)

Apart from focusing on the interactions among individuals (Hallett & Ventresca, 2006) and among organizations (Powell et al., 1996) to understand the emergence of new institutions and markets, this perspective is a call to study the role of the organizations that mediate those relations and interactions (Howells, 2006; Mair et al., 2012). For economists, especially those studying financial markets, intermediation is important because it clears the market, i.e. sets the price that matches buyers with sellers, and hence “provides an explanation for how the market attains an equilibrium” (Spulber, 1996, p. 149). From an economic sociology perspective, markets are social, political, and cultural arrangements not reducible to supply and demand, so it is worth exploring the role of intermediaries in building those others components of markets: networks, values, meanings, rules, standards, etc. Therefore, the research question that drives the following analysis is: *What role(s) do intermediaries play in the early moments of market formation?*

Based on my review of the literature, I identify three reasons for which a renewed focus on intermediation in the early stages of market formation can help us advance both theories of markets and theories of intermediation.

Firstly, because nascent markets are a context in which the meanings and practices are not yet settled (Santos & Eisenhardt, 2009). The ambiguity that abounds in these early moments, as we have seen in Chapter 4, is often resolved by continued interactions (Rosa et al., 1999) at the intersection of different sectors (Furnari, 2014) and including periods

of significant contestation (Dunn & Jones, 2010). In these contexts, we see the importance of mechanisms that mediate across fields (Mair & Hehenberger, 2014) and across actors (Hajek et al., 2011). Moreover, the centrality of these intermediation processes also surfaces in periods of field transformation, when previous settlements become disrupted and the need to (re)build market infrastructure reappears (Anand & Peterson, 2000).

Secondly, because the mediation in the acquisition of different forms of capital (social, cultural, human, financial) is often carried out by organizations that we might not label in first instance as ‘intermediaries’. In the case of mediating between investors and investees in the acquisition of financial capital, it is true that we would think about fund managers, brokers, or analysts as the potential intermediaries (Pollock et al., 2004; Zuckerman, 1999), but often there are other organizations such as foundations and incubators that become gatekeepers when obtaining funding from other investors (Koteles, Casanovas, & Vernis, 2013). In the acquisition of cultural capital, community organizations and lawyers can also be important actors (Mair et al., 2012; Suchman, 2000). Trade associations can be key in the mediation of social and cultural capital (Mair & Hehenberger, 2014), and new banks can play important roles in bringing in human capital from different sectors (Almandoz, 2012, 2014). Therefore, in order not to be biased and focus only on certain types of organizations, it is worth taking ‘one step back’ and looking more broadly at intermediation *mechanisms*.

And thirdly, because these intermediation mechanisms can take many forms. In the case of the rise of venture philanthropy in Europe, it was by organizing front- and back-stage events that continued interaction and the construction of shared meanings was enabled (Mair & Hehenberger, 2014). In the case of the CSR consultancy practice in Canada, it was by translating social and environmental issues, negotiating boundaries, and enacting responsive regulations that the market became prominent (Brès & Gond, 2014). And in the

case of new market infrastructure in Bangladesh, it was by redefining market architecture and legitimating new actors that inclusive markets could be built (Mair et al., 2012). This variety of processes and mechanisms calls for applying a broad lens when inquiring about the role(s) that intermediaries can play in processes of market formation.

5.2 Data Analysis

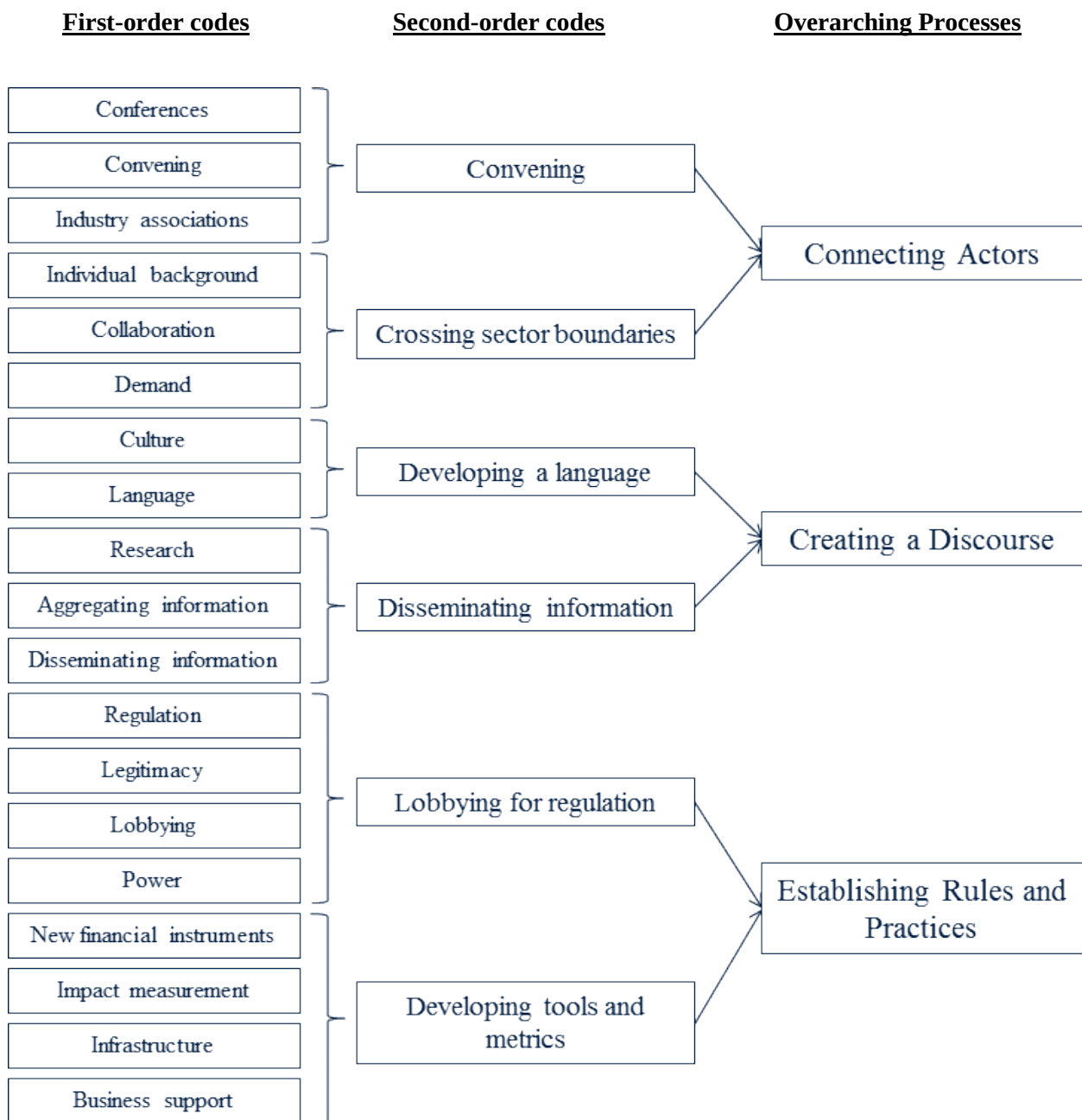
With these orienting ideas in mind, I focused my analysis on two aspects: processes of market formation and intermediation mechanisms in the social investment space. As stated in Chapter 3, the 35 interviewees included investors, investees, intermediaries, and government actors. Financial markets are generally highly mediated (Pollock et al., 2004; Zuckerman, 1999), and social investment is not an exception as we can see from the many industry reports that focus on different kinds of intermediary organizations (e.g. Cabinet Office UK, 2013; Shanmugalingam et al., 2011). However, a key question for the research design was to define the scope of what is understood by the terms ‘intermediary’ and ‘intermediation’. The purpose of this research was to capture the variation of activities and roles that can be performed by organizational actors in their participation in intermediation processes, so I wanted to start with a broad definition. Moreover, limiting the analysis for example to financial intermediaries (so-called Social Investment Financial Intermediaries or SIFIs) would assume that financial capital is more important in this space than other forms of capital (Bourdieu, 1986). Instead, as showed in Chapter 3, initial coding of the interviews and reports showed that social, human, and cultural capital were as important for the development of the sector as financial capital. This broader approach to intermediation processes, which includes the mediation in the

acquisition of different forms of capital by organizational actors, is key to understand the role of intermediaries in the dynamics of market formation.

The initial, broad coding with NVivo of the interview data resulted in 37 codes, 22 of which were directly related to instances of market building activity. Although I started from the actual words that interviewees had said, I draw organizing criteria from frameworks in the sociology of markets. I paid attention, for example, to issues such as how boundaries were set, how definitions became agreed upon, how meanings were framed, how strategies were contested, how political agendas were lobbied for, how language was used, how practices converged, etc.

To confirm the primacy of these 22 codes (see Appendix F for a detail of the data structure) I triangulated the information from the interviews with my other sources, such as published reports, field notes, and online blogs or social media. I then grouped the first-order codes that were related to market building into second-order themes, according to common topics and similar processes (Gioia et al., 2013). I left out three codes that were too general to account for specific mechanisms ('evolution', 'innovation', and 'market building' itself), and in which the texts coded were often also included in other narrower codes. Figure 5.1 shows the process of moving from the first-order codes around market building, to second-order codes and then the overarching processes in which these mechanisms were included. A detailed description of each process and mechanism with references to the data sources is offered in the next section.

Figure 5.1: Coding process for market-building: First-order codes, Second-order codes, and Overarching processes



The other main idea that emerged from the data was the importance of intermediaries in these processes of market formation. This was evident and vivid in the conversations with informants, as well as a basis of ongoing attention in archival and online sources. To better grasp exactly how intermediaries take part in building the field of social investment, I asked about all the activities they did and how they interacted with other organizations.

Finally, all the findings and ideas that came from the interviews were triangulated and confirmed by the information from the reports and other data sources of the longitudinal study.

5.3 Findings

Processes of early market formation are multifaceted, and my arguments start from theories at the intersection of economic and organizational sociology to shed light on those processes. Rather than having one organization driving the whole development of the market, we usually find different actors carrying out different roles and activities that are, in turn, interdependent in their efforts to build a new value chain (Hajek et al., 2011). This is certainly the case of the social investment market in the UK, where the government has played an important role but also former private equity leaders, social sector activists, brokers, or foundations have been shaping the boundaries and the features of the space. The data suggest that three processes are central in the development of this market: building networks by connecting actors, building meanings by creating a discourse, and building institutions by establishing rules and practices. In each of these we find multiple actors and mechanisms, and together they speak to the central role played by intermediary organizations.

5.3.1 Building networks

In the early moments of market formation, participants (and potential participants) are often part of different sectors and they do not know about each other's existence. Therefore, making them aware of each other and bringing them together is an important need in the process of market formation. In the case of social investment, we find four

kinds of players that over time became relevant and coalesced in a network. First, there are the investors who are allocating their money with the objective of securing some financial return but also mindful of the social impact of those investments. In the UK these are traditional family foundations, charitable trusts, high-net worth individuals, commercial banks, and others. Second, we have the investees, which receive the investments in order to fulfil their social mission in a way that they can also pay an interest or dividend over those funds. They are often social sector organizations like charities, co-operatives or voluntary organizations, but also more and more we find so-called social enterprises, which can be incorporated as for-profit or non-profit, or sometimes as Community Interest Companies – an ad-hoc legal form for this kind of businesses with a social mission. Third, there is the public sector, both at the national and regional or local levels. The government plays different roles: investor, regulator, infrastructure builder, market champion, etc. and it has been very present in the market since its inception. Finally, we have a variety of intermediary organizations, which are usually responsible for connecting actors and leveraging networks. They are social investment fund managers, brokers, social banks, trade associations, and many other organizations that are the glue between investors, investees, and government actors.

There are two main mechanisms by which social investment organizations carry out the process of connecting actors: convening and crossing sector boundaries. *Convening* is about organizing conferences, round tables, pitch presentations, or meetings of industry associations. For example, a social investment broker explains how they connect their network of business angels with investment opportunities: “They are high net worth individuals coming along once a month, they have pitch events, they watch some two or three company pitch and they decide if they want to invest or not” (Interviewee #10, Advisor). Another describes their efforts to bring actors together in order to reflect about

the state of the sector: “[We] structured a series of tables, the one that brought investors to the table, one that brought social enterprises to the table, one that brought charitable trusts and foundations to the table” (Interviewee #12, Advisor). In these settings, actors become aware of each other, share interests and best practices, and sound out new agreements.

Because of the nature of social investment, which lies at the intersection of the social, public, and financial sectors, another important mechanism for connecting actors is *crossing sector boundaries*. This is important because organizations from different sectors pay attention to different things: “You find this mismatch of things that investors want to see [detailed financial information] and what the social enterprise has” (Interviewee #10, Advisor). Intermediation is in this case about being able to speak those different languages, ‘translating’ them across boundaries, and aligning sometimes conflicting objectives. Organizations do this by hiring employees from different backgrounds, especially the financial and social sectors, and by combining different financial sources, often including grants from foundations, loans from the government at reduced interest rates, and funds from commercial investors who expect market rates of return. A trade association listed the organizations they work with, which span the financial, public, and social sectors: “We work very closely with the BBA, the British Banks Association (...) [We do] a lot of stuff with Treasury, with BIS [Department for Business, Innovation and Skills], with the Cabinet Office, with DCLG [Department for Communities and Local Government] (...). Co-ops UK we have a very strong link with (...). We recently forged strong links with UK Crowdfunding Association” (Interviewee #15, Trade association). Often it is the professional background of the employees that allows organizations to work across sector boundaries, like the case of one intermediary:

“If you ask me who we work most closely with, actually I would say it’s mainstream city firms, which is somewhat ironic” (Interviewee #16, Platform).

5.3.2 Building meanings

This second process is important because markets are embedded in a certain culture, so the development of ideas, discourse, and information is an important part of market formation. For example, in a hypothetical environment where everything labelled as ‘social’ was seen as ‘inefficient’ by actors from the financial markets, or where everything that has to do with ‘investment’ was seen as ‘predatory’ by the social sector, it would be difficult for concepts like ‘social investment’ to endure. So values and culture are important, because even if the term ‘social investment’ is now seldom seen as an oxymoron, “what CDFIs are trying to do runs very counter-culture to the way in which our financial service industry is structured” (Interviewee #15, Trade association).

However, still “people have different views at what social investing is” (Interviewee #8, SIFI), and knowing that words matter because of the meaning they carry, organizations spend resources in *developing a language*; they try to be part of the construction of this language so that it fits their purpose better and appeals to their constituencies. With this aim, they use different terms (community finance, impact investing, social finance, social impact investing, positive investing) and they name their organizations accordingly (Social Finance UK, Social Investment Business Group, Community Development Finance Association, Social Investment Forum), and they try to define and redefine concepts to match their own ideas. Interviewee #17, from a trading platform, recalled that “what I was trying to do is (...) to say that responsible investing is investing in listed social impact businesses”. Some will prefer ‘impact investing’, which “has more of a

connotation around market rates of return” (Interviewee #16, Platform), while others will push for ‘social investment’

Another important part of creating a discourse is about making your views heard and read by other players in the sector, especially the incumbents. In a context where data is scarce due to lack of track records and it is ambiguous due to lack of standards and conventions, becoming the go-to place for information can be crucial for influencing market building processes. Social investment organizations produce and *disseminate information* by making field-level surveys, publishing annual reports and strategy documents, sponsoring industry analysis, sending newsletters, or signposting market data in their websites. As part of this, social investment organizations also develop impact metrics and standards, and try to promote them among other actors. Publishing reports is probably the most common way of disseminating information (“We will be publishing our annual report today [...] and we will be publishing a strategy document very soon”, Interviewee #6, SIFI), but also larger research pieces when resources are available: “We collate, every year, quite a detailed survey and show that on our website, but inside a community finance. And that’s the sort of industry standard” (Interviewee #15, Trade Association). It is clear that they listen to each other to make sense of what is going on in the market (“Big Society Capital is trying to put out information”, Interviewee #13, Investor), and they often collaborate for sponsoring research, like in the case of the Social Investment Research Council, which is formed by public, private, and social sector organizations.

5.3.3 Building institutions

Developing the necessary institutional infrastructure is also important in the formation of new markets. As a one of the informants said:

“What we are seeing in the UK is, if you think about most things of what a functioning financial market has, you can now start to put the word social in front of them. In the UK, we’ve got most of the things there, if you think about this from an infrastructure point-of-view” (Interviewee #23, Government)

We can think about this infrastructure in terms of specific platforms, advisors, or other intermediaries that facilitate transactions, but we also need to take into account those rules, standards, and taken-for-granted norms that form the institutional environment. In this sense, it is important to pay attention at who dictates the rules, who comes up with the indicators that need to be measured, and who is invited to the relevant conversations. One visible development is the legislation that has come into place in the last few years, which begins to specify the social investment market and sets its future in a certain direction.

For example, as a consequence of the Social Investment Task Force in 2000, the government enacted a Community Investment Tax Relief and regulation on the legal form of the Community Interest Company. A few years later, pressures from social investment advocates to use unclaimed assets from bank accounts to grow the social investment market prompted the legislator to pass the Dormant Accounts Act in 2008. These funds of £400 million, together with £200 million from the main UK commercial banks, were the resources allocated to Big Society Capital, the wholesale social investment bank. Because of its resources and privileged position close to the government, BSC has been central in the development of this market as soon as it started its operations in 2012. More recent legislation like the Social Investment Tax Relief and the Social Value Act are other examples of how influencing formal regulation can drive the sector in one direction or another.

One mechanism for establishing rules and practices is hence *lobbying for regulation*. Social investment organizations do this by being closely connected to the government – being members of temporary task forces, doing advisory work, or directly participating in round tables for the design of new regulation. For example, a social investment fund manager reported that they were part of the G-8 Social Impact Investment Task Force promoted by the UK government: “our impact team are writing one of the sections on the G8 work streams on corporate form” (Interviewee #8, SIFI), and also that within their executive team, “one of us is in the Cabinet Office every week” (Interviewee #8, SIFI). Advisory work is also commonplace, like in the case of this social investment broker: “Initially our government advisory work was mainly around social impact bonds and helping them to understand and think through where they could create kind of social value (...) we’ve been asked to undertake an increasing amount of kind of advisory work more broadly” (Interviewee #12, Advisor). And often it is giving voice to their constituencies, as this trade association describes: “My main job is around policy shaping and implementing. So we offer a voice across government and across the investor community” (Interviewee #15, Trade Association).

However, informal norms, standards, and practices also drive the market forward. What financial instruments will be mostly used? What metrics will become unavoidable? Where will the financial and human resources come from? These questions certainly shape current and future boundaries of the market. The other mechanism for building institutions is therefore about *developing tools and metrics*. Because one of the characteristics of early-stage markets is their uncertainty and ambiguity, organizations try to push different products and practices into the mainstream, to become the ‘gold standard’: “Everyone’s doing standardised reporting framework, but you’ve got 20 firms selling standardised framework. They’re of no use to you, you haven’t even got a uniform

definition of social enterprise, and social impact, and social outcomes. I don't think the industry is there yet" (Interviewee #27, SIFI).

With this intent, organizational actors allocate considerable resources to participate in conferences and industry events where they can promote their approach to different matters, and they issue reports with their specific perspectives on the market. Almost all organizations participate actively in field-level events: "[We] did lots of conferences, and events, and presentations, and seminars" (Interviewee #17, Platform). However, it is more often in bilateral relations where certain tools and metrics are emphasized: "Generally what we will require them to do is pick two or three key measures that, in our funding documents with them, they're obliged to then report back on" (Interviewee #27, SIFI). This becomes even more important when there is a relation of resource dependency, for example between the investee and the investor. For example, a social investor said that they focused on "the things that you would look at in any company: the management team, the business model, the revenues, the P&L" (Interviewee #1, SIFI). If this is the case, it is probable that social enterprises interested in securing that funding will focus on those business/financial indicators rather than on social impact metrics. Similarly, funding initiatives like the Investment and Contract Readiness Fund and Big Potential (both addressed to support organizations "who want to prepare themselves for social investment"²⁰) will influence social enterprises in what tools they should use and what indicators they should measure (See Table 5.1 for a summary of these findings).

²⁰ <http://www.sibgroup.org.uk/bigpotential/>
<http://www.sibgroup.org.uk/beinvestmentready/>

Table 5.1: Processes and mechanisms of market formation

Process	Connecting Actors	Creating a Discourse	Establishing Rules and Practices
Building...	<i>Networks</i>	<i>Meanings</i>	<i>Institutions</i>
Definition	Bringing together individuals and organizations, often from different sectors, to share market insights and best practices.	Developing a body of knowledge and information that shapes ideas about what belongs and what does not belong to the market.	Exercising influence on formal and informal rules, as well as on standards and practices.
Mechanisms Quotes	<u>Convening</u> <i>“[We] structured a series of tables, the one that brought investors to the table, one that brought social enterprises to the table, one that brought Charity Trusts and Foundations to the table” (Interviewee #12, Advisor)</i>	<u>Developing a language</u> <i>“Impact investing has more of a connotation around market rates of return” (Interviewee #16, Platform)</i>	<u>Lobbying for regulation</u> <i>“One of us is in the Cabinet Office every week” (Interviewee #8, SIFI)</i>
	<u>Crossing sector boundaries</u> <i>“If you ask me who we work most closely with, actually I would say it’s mainstream city firms, which is somewhat ironic” (Interviewee #16, Platform)</i>	<u>Disseminating information</u> <i>“We collate, every year, quite a detailed survey and show that on our website (...) and that’s the sort of industry standard” (Interviewee #15, Trade association)</i>	<u>Developing tools and metrics</u> <i>“Generally what we will require them to do is pick two or three key measures that, in our funding documents with them, they’re obliged to then report back on” (Interviewee #27, SIFI)</i>

5.3.4 Intermediation

We have seen that intermediary organizations are important in processes of market formation. However, I want to develop the idea of intermediation in more general terms: moving from specific actors to broader kinds of mechanisms and processes, and then back to organizational actors. If networks, meanings, and institutions are the basis of market infrastructure, these are evident in the UK social investment market in the work of connecting an investor with an investee, publishing a series of reports about how to structure a social impact bond, or lobbying the government for a new tax relief. I argue that these intermediation processes are the building blocks of broader market building processes. This stance shifts us to see the work of building markets as ongoing and requiring different kinds of activities and actors. It also suggests that, while these intermediation processes become especially relevant in early stages of market formation, they will also be important in the frequent periods of ‘ferment’ in-between the temporary settlements that take place in market evolution.

Having a research design that supports an organization-rich approach to processes of market formation, the opportunity is to see what organizations are central in the intermediation mechanisms.

First, we saw that it is by connecting actors that the networks of the social investment market are built. My data suggested that this is carried out mainly via two mechanisms: convening and crossing sector boundaries. Social investment fund managers, advisors, and trade associations play a major role in both cases. In the former, they organize large and small-scale events, like conferences, roundtables, and training sessions, where organizations become aware of each other and share their lessons learned. In the latter,

they are active in bringing resources – human, financial, social, and cultural – from other sectors.

Second, organizations such as investment platforms, funds, or foundations are also often responsible for building the meanings of market tools and concepts by creating a certain discourse. Most information about market activity is gathered and published by these intermediary organizations, either in their websites or in industry reports. Social investment funds, for example, publish their track records and strategies, from which others can learn or make sense of the possibilities of the sector. They are also key actors in defining and spreading the terminology, with articles and reports about the boundaries and key players of the market (e.g. Nicholls & Pharoah, 2008) or by including ‘glossary’ sections in their websites²¹.

And third, different types of mediating organizations are active in building the institutional infrastructure (regulative, normative, cognitive) that characterizes the social investment market. On the one hand, social investment funds and advisors are always present in industry-wide task forces and other government consultations – not the least Big Society Capital, which is a special case of intermediary. On the other hand, advisors, platforms, and financial intermediaries are also responsible for coming up with new financial instruments and new impact measurement frameworks – and imposing them on the investees.

This market-building activity is sometimes purposeful, as some of the intermediaries understand this role as part of their mission. Therefore, influencing the evolution of the market is not necessarily a matter of taking advantage of their power within the sector, but rather part of their organizational mission. A social investment fund manager puts it

²¹ <http://www.bigsocietycapital.com/glossary>

like this: “We look at both direct impact and we also look at systemic impact. So when we can make a difference to the market evolution, we would call that systemic impact” (Interviewee #8, SIFI). And another states: “our mission as an organization is to grow the social investment market, so market development is really important to us that every deal we do is actually contributing to growing the market” (Interviewee #6, SIFI).

However, taking part in these market building processes is often a by-product of other activities of intermediary organizations in early market formation. Being connected to different actors is of course intrinsic to them, but because of the activities that they carry out they are also more prone to having data and information that can be useful for others, knowledge about what legislation could work better for the sector, interest in innovating around financial instruments, or presence in conferences and other field events. We can then say that it is across these situations that market formation takes place, more as an interorganizational, emergent process than as an entrepreneurial one.

5.4 Network, Cultural, and Institutional Intermediation

From the perspective of building networks, my findings on intermediation connect to network analyses that present brokers and intermediaries as “network architects” (Pollock et al., 2004) and as a source of innovation (Hargadon & Sutton, 1997), but also to research that emphasizes the convening role of certain market actors (Dorado, 2005), their positioning in-between different fields (Furnari, 2014), and the importance of these mechanisms in nascent markets and fields (Mair & Hehenberger, 2014).

In terms of building meanings, it engages with research on categories as it portrays intermediaries as the organizations that create and shape those categories, similarly to

Zuckerman's (1999) study of financial analysts and Anand and Peterson's (2000) research on market information regimes. It also links intermediation theories with the work that focuses on how lawyers, consultants, and other intermediaries can shape the meanings and culture of a certain field (Brès & Gond, 2014; Suchman, 2000).

The institutional aspect of intermediation links to diverse research that has looked at how certain intermediaries have shaped long-term processes of field-level change by influencing the law (Haveman & Rao, 1997), soft regulation (Morgan, 2008), or performance measurement (Kent & Dacin, 2013).

At the same time, it connects to other rich accounts of how intermediaries have a plural influence during the early stages of market formation (Brès & Gond, 2014; Mair et al., 2012) to propose a systemic understanding of intermediation processes.

This framework (see Table 5.2) will help economic sociologists expand an organizationally-rich view of how markets are formed, where field-level processes are often driven by mechanisms in which intermediary organizations play a central role.

Table 5.2: Components of Systemic Intermediation and their relation to market formation

Markets are embedded in...	Networks	Culture	Political Regimes
Theoretical foundations	Granovetter (1985)	Fourcade (2007), Zelizer (1978)	Fligstein (2001b)
What intermediaries do	· Convene market actors (Mair & Hehenberger, 2014) · Legitimize market exchanges (Khurana, 2002) · Become network architects (Pollock et al., 2004) · Redefine market architecture (Mair et al., 2012)	· Define categories (Anand & Peterson, 2000) · Legitimize categories (Zuckerman, 1999) · Promote a certain culture (Suchman, 1995) · Develop sensemaking capacity (Mair et al., 2012) · Reshape social and environmental issues (Brès & Gond, 2014)	· Impose regulations (Morgan, 2008) · Recombine norms and traditions (Mair et al., 2012) · Lobby for certain regulations (Haveman & Rao, 1997) · Impose certain metrics (Kent & Dacin, 2013) · Shape the regulative environment (Brès & Gond, 2014)
The role of intermediaries	<i>Building networks</i>	<i>Building meanings</i>	<i>Building institutions</i>
Type of Intermediation	<i>Network Intermediation</i>	<i>Cultural Intermediation</i>	<i>Institutional Intermediation</i>

5.5 Discussion

As I first raised in the literature review in Chapter 2, this perspective on intermediation in the early moments of market formation goes beyond pure economic and structural approaches to identify diverse intermediation mechanisms and the role played in them by certain organizations. Specifically, it proposes a ‘systemic intermediation’ approach that includes the network, cultural, and institutional roles performed by intermediary organizations. In Chapter 7 (especially in section 7.2.2) I discuss how these findings provide leverage for the overall contributions of the thesis, but in this section I also summarize the most important of these contributions.

On the one hand, this multifaceted perspective on intermediation is not only adding a new dimension to our study of intermediary organizations. Instead, it challenges theoretical stances that study intermediation outside of a cultural and institutional context. By bringing in this broader context, I emphasize the role of intermediaries in building their institutional environment (Mair et al., 2012). If Pollock and colleagues (2004) saw intermediaries as *network architects*, I show that they might be better understood as *market architects*, as they contribute to the construction not only of the networks but also the meanings and institutions that become the building blocks of market infrastructure. At the same time, this opens the possibility of focusing on intermediation processes rather than on pre-defined intermediary organizations, which highlights how system-building actors are actually mediating between organizations and their ecosystem (Hoffman, 2001).

On the other hand, understanding intermediaries as market architects also allows me to contribute by providing specific mechanisms that help us understand how nascent markets are built. When focusing on their role of building networks by connecting actors, I find the specific mechanisms of convening (Dorado, 2005; Mair & Hehenberger, 2014)

and crossing sector boundaries (Furnari, 2014; Sgourev, 2015). When looking at how intermediaries build meanings by creating a certain discourse, I find the mechanisms of developing a language (Nicholls, 2010c; Teasdale, 2011) and disseminating information (Anand & Peterson, 2000; Espeland & Sauder, 2007). And when focusing on their role of building institutions by establishing rules and practices I highlight the mechanisms of lobbying for regulation (Brès & Gond, 2014; Morgan, 2008) and developing tools and metrics (Giamporcaro & Gond, 2016; Kent & Dacin, 2013).

This chapter hence connects intermediation and nascent markets, contributing by specifying the roles of intermediaries in building new markets and by showing that intermediation is better understood as the process of architecting those markets rather than as a mere relation of exchange.

6 Intermediation in Contexts of Ferment: A Multilevel Approach to Institutional Emergence

“Any understanding of the form under which a particular field presents itself, of the forces that lie behind its current dynamics, and of the stakes that will shape its future must begin with a return toward history—and more specifically with a study of that field’s conditions of emergence” (Fourcade, 2007, p. 1015)

6.1 Introduction²²

This chapter organizes in critical and fresh ways a large body of research to highlight the opportunities for a multi-level approach to institutional emergence. I develop an integrated framework and identify the concept of ‘contexts of ferment’ to argue for how intermediation processes are pivotal to this approach along with recognition to the complexity of field conditions and interorganizational processes. The chapter comprises an argument and research agenda that builds on the empirical work of the thesis but takes it in new directions.

New institutions are not the functional consequence of solving certain societal needs or the result of heroic actors imposing their views and interests, but rather the outcome of multifaceted processes that in hindsight seem cleaner than they actually were (March & Olsen, 1983; Padgett & Ansell, 1993; Scott, 2013). Institutional theorists have regained interest in studying processes of emergence²³ (Padgett & Powell, 2012a), highlighting

²² This theory chapter is based on a solo-authored paper that was under revision at the *Academy of Management Review* but eventually rejected, and I am currently preparing it for submission to the *Academy of Management Annals*. It has benefited from critical comments by the journal reviews as well as informal comments from several colleagues at Saïd Business School and elsewhere.

²³ Emergence is a rich and contested term today among researchers. For complexity theorists, it points to ordering in complex, nonlinear systems (e.g. Onnela & Reed-Tsochas, 2010). However, I follow work in cultural and institutional analysis that treats ‘emergence’ as an historically-embedded and contingent process, marked by the construction of shared meanings, rules, and practices that order social and economic

how actors develop conventions and shared meanings (Becker, 1982; Grodal et al., 2015), the importance of interactions across multiple levels (Gray et al., 2015; Hallett, 2010), and the embedded, historical origins of diverse paths (Padgett & McLean, 2006; Schneiberg, 2007; Stinchcombe, 1965) that imprint new institutions.

Recent research in this line of work has focused on new market infrastructure in developing countries (Mair et al., 2012), interstitial spaces as fruitful for the genesis of new practices (Furnari, 2014), the infrastructure to address grand challenges such as poverty alleviation or responsible finance (Ferraro et al., 2015), new transnational regulation (Bartley, 2007; Morgan, 2008), and the shared cognitive processes that emerge from field-configuring events (Mair & Hehenberger, 2014; A. L. Oliver & Montgomery, 2008). What these diverse studies share is an interest in the conditions and processes that give rise to new institutional arrangements.

Understanding the genesis of institutions is of great import to institutional theory, as it is in those early moments that meanings get attached to practices and the building blocks of the new (or renewed) field are stuck together. Focusing usually on processes of institutional change (Dacin, Goodstein, & Scott, 2002; Leblebici et al., 1991; Smets et al., 2012), and sometimes on instances of the *de novo* emergence of institutional arrangements (Bartley, 2007; Furnari, 2014; Grodal et al., 2015), researchers have paid attention to the purposeful action (Greenwood & Suddaby, 2006; Tracey et al., 2011) as well as the distributed practices (Ferraro et al., 2015; Lounsbury, 2007) that take place in those early stages of institutional life.

activity (Becker, 1982; DiMaggio & Powell, 1983), work that has been recently extended by Padgett and Powell (2012a) and others.

Despite the limited attention devoted to institutional emergence, the vast body of literature on institutional theory provides important cues to understand the processes that take place at multiple levels in the early moments of institutions (Ansari, Wijen, & Gray, 2013; Gray et al., 2015; Purdy & Gray, 2009). Reviewing different approaches that focus on exogenous or endogenous origins of change, as well as on field- or actor-level mechanisms reveals the richness of the institutional take on processes of emergence and transformation. In addition, theories of fields that highlight the life cycle of innovation (Kaplan & Tripsas, 2008; Utterback & Abernathy, 1975) and the role of social movements (Fligstein & McAdam, 2012; Lounsbury et al., 2003) also bring relevant insights to the social and political processes that take place in the early stages of institutional fields (Hargrave & Van de Ven, 2006).

Building on the legacies of these different traditions, I portray these early moments as ‘contexts of ferment’, where experimentation and ambiguity abound before the field reaches the stages of having a (new) dominant design (Geroski, 2003; Utterback & Abernathy, 1975). These contexts of ferment often feature high levels of institutional complexity, as they tend to be located at the intersection of other fields (Furnari, 2014), influenced by contradictory logics (Greenwood et al., 2011), and underpinned by a disconnected and fragmented social structure (Sgourev, 2013, 2015). Such contexts are also filled with significant institutional ambiguity (Townsend & Hart, 2008), due to unclear norms and legitimacy (Beckert, 1996; Santos & Eisenhardt, 2009), lack of transparency (Dorado, 2005), and the continued experimentation with new practices (Lounsbury, 2008).

Under these circumstances, the building blocks of potential new institutional fields appear scattered throughout the landscape (J. W. Meyer & Rowan, 1977), often as the legacies of previous or adjacent logics (Raynard et al., 2013). Resources, such as funding and

human capital, are dispersed in organizations out of the immediate context (Schneiberg, 2007). Ties are disconnected, as structural holes lie between organizations coming from different backgrounds (Pollock et al., 2004). And meanings are yet unclear, because the process of agreeing upon certain definitions, norms, and standards takes time and requires that actors recognize each other and negotiate (or impose) those meanings (Déjean et al., 2004; Garud et al., 2002).

The conditions of these ‘contexts of ferment’ emphasize the importance of interactions and brokerage processes. A consolidated tradition in institutional theory agrees that actors are important in field-level processes, not only because of their individual discretion and capacity to buffer institutional pressures (DiMaggio, 1988), but also because of their social position and cultural endowment relative to other actors (Battilana, 2006; Bourdieu, 1984). In this sense, it is from the relation among actors and their interpretations of those interactions, rather than individuals’ clear strategies, that new practices arise (Blumer, 1969; Hallett & Ventresca, 2006), and brokerage activities such as linking and bridging across different fields and social contexts also become central (Greenwood & Suddaby, 2006; Heinze et al., 2016; Tracey et al., 2011).

Portraying such contexts and processes as the *primordial soup* for the emergence of new institutions brings to the fore the importance of intermediation in these early moments of institutional life (Khurana, 2002; Sgourev, 2015). Intermediation is often understood as the efficient response to transaction costs (Spulber, 1996; Williamson, 1981), but here I see it as the process of reassembling (or recombining) those resources, ties, and meanings that were previously scattered. Therefore I show that, through different intermediation mechanisms such as hiring, funding, convening, connecting, translating, and disseminating, new institutions come to being.

With this chapter I provide a multilevel framework to understand processes of institutional emergence. The early moments of institutions are distributed and contested, and their fate is often uncertain, but they are also very relevant as they define the basic elements and standards of the eventual institutional field. My contribution to this important area of research is threefold. First, I define two field-level conditions – institutional complexity and ambiguity – that are conducive for the emergence of new institutions. Second, I highlight the role of interorganizational processes, specifically interactionism and brokerage, as the channels through which potential for change is configured and spread within a social contexts. Finally, I enhance current perspectives on intermediation by bringing a cultural and dynamic perspective that is based on reassembling pre-existing resources, ties, and meanings. This effort includes the specification of six organizational mechanisms carried out by intermediaries that drive processes of institutional emergence.

In the remainder of this chapter, I start by reviewing different approaches to the understanding of the early moments of institutions and bringing insights from theories of field emergence. I then conceptualize contexts and processes of ferment, and move to discussing the intermediation framework and its different contributions. I end up with some conclusions and avenues for future research. Throughout the chapter, I illustrate the theoretical framework with examples from the emergence of the UK social investment market in the period 2000-2015 (Nicholls, 2010b; Wells, 2012) with the purpose of increasing the clarity of the theoretical concepts. These illustrations are based on publicly available data from industry reports and organizational accounts, but seasoned with insights that I have gathered after collecting significant interview and observation data from this space – as reported in Chapter 3.

6.2 The Early Moments of Institutional Fields

6.2.1 Emergence and Change in Institutional Theory

Studying the early moments of institutions has been commonplace in institutional theory in the last 25 years, although more often with a focus on institutional change than on the rise of new institutional fields (Lawrence et al., 2002; Leblebici et al., 1991; Mair et al., 2012; Padgett & Powell, 2012a) or subfields (Faulconbridge & Muzio, 2016). Institutions are often defined as the formal rules, the more-or-less taken-for-granted norms, and the cultural values and beliefs that guide the actions of individuals and organizations in a specific context (Greenwood et al., 2008; Scott, 1995). As such, institutions are both constraining and generative for organizational activity (Barley & Tolbert, 1997; Dacin et al., 1999), and hence understanding their origins will help us recognize “the range of possibilities” that organizations have in a given field (Lounsbury et al., 2003, p. 96).

The spark for new institutions can be exogenous or endogenous to a certain field (see Table 6.1). Exogenous explanations were exemplified by Meyer’s (1982) environmental jolts, which he defined as “transient perturbations whose occurrences are difficult to foresee and whose impacts on organizations are disruptive and potentially inimical” (p.515). These external shocks can include for example new regulations, boycotts, or changes in consumer behavior, with the common characteristic that they have an effect on an industry or field as a whole, rather than on specific organizations (A. Meyer et al., 1990). These environmental jolts can sometimes be the new institutions themselves, especially in the case of new laws or cultural changes, but oftentimes they “mobilize actors to reformulate institutions” (Sine & David, 2003, p. 185). Therefore, the exogenous origin of institutions does not imply an actor-less account of institutional change, because those external shocks create threats and opportunities that are perceived and experienced

in different ways by organizations and individuals depending on their field positions and internal characteristics (Sine & David, 2003; Townsend & Hart, 2008).

Table 6.1: Institutional Approaches to Field-level Change and Emergence

Origin	Focus	Approach / Description	Representative authors
Exogenous	Field	<i>Environmental Jolts:</i> External shocks (e.g. a new law) that change field conditions and mobilize actors to reformulate institutions.	Meyer (1982) Sine & David (2003)
Endogenous	Actors	<i>Institutional Entrepreneurship:</i> Resourceful actors design new institutions that better serve their interests.	DiMaggio (1988) Battilana et al. (2009)
		<i>Institutional Work:</i> Purposive actions aimed at creating, maintaining, and disrupting institutions.	Lawrence & Suddaby (2006) Lawrence et al. (2011)
	Field	<i>Variation:</i> New institutions result from spatially dispersed and heterogeneous activity.	Lounsbury (2008) Kaplan & Tripsas (2008)
		<i>Auto-catalysis:</i> Field transformation comes from network self-organization and relational selection.	Padgett & Powell (2012) Sgourev (2015)

Source: Author's analysis.

Organization theorists have suggested endogenous explanations of institutional emergence and change for many years (Leblebici et al., 1991; Seo & Creed, 2002). These accounts can be divided in two different but complementary perspectives: those starting from the actions of individuals, and those starting from field-level processes. Actor-driven accounts of institutional change came as a reaction to institutional research where actors were absent of the mechanisms at play. The first approach was that of institutional entrepreneurship, where certain actors are capable of imagining and building new

institutional arrangements (Maguire et al., 2004). As DiMaggio (1988) puts it, “new institutions arise when organized actors with sufficient resources (*institutional entrepreneurs*) see in them an opportunity to realize interests that they value highly” (p. 14, emphasis in original). Central to the concept of institutional entrepreneurship is the paradox of embedded agency, which tries to answer the question of “how institutional change is possible if actors’ intentions, actions, and rationality are conditioned by the institutions that they wish to change” (Leca & Naccache, 2006, p. 628). Proponents of institutional entrepreneurship approaches contend that it is thanks to their social position (Battilana, 2006) or their ability to bridge between different fields (Greenwood & Suddaby, 2006), that some resourceful actors can free themselves from institutional demands and hence devise and build new institutions that better suit their interests (Battilana et al., 2009).

The second approach within actor-driven processes of institutional change is what Lawrence and colleagues have named *institutional work* (Lawrence et al., 2013; Lawrence & Suddaby, 2006; Lawrence et al., 2011). Defined as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006, p. 215), institutional work maintains the assumption of institutional entrepreneurship that some actors have clear purposes which can be disentangled from the norms and values that are legitimate in a social context (Hwang & Colyvas, 2011), and hence also needs to deal with the concept of embedded agency (Battilana & D’Aunno, 2009). However, it turns the focus from only the creation of new institutions to the need of maintaining and eventually disrupting such institutions, which is consonant with the understanding that every context has at least the legacy of previously dominant or adjacent institutional logics (Raynard et al., 2013), as well as entrenched informal institutions that guide actors when in absence of more formal

regulation and infrastructure (Mair & Marti, 2009; Mair et al., 2012). In this sense, the early moments of institutional life take place after prior temporary settlements that then need to be deconstructed and reassembled into new institutional arrangements (Seo & Creed, 2002). Moreover, institutional work includes a set of actions that can be considered more indirect and less heroic in the transformation of institutions, such as advocacy, theorizing, policing, mythologizing, or undermining assumptions and beliefs (Lawrence & Suddaby, 2006).

Field-driven perspectives on institutional emergence and change are those that start from processes that take place at the level of the field, rather than starting from actors' individual interests and purposes. I distinguish here between two approaches: variation (Lounsbury, 2008; Lounsbury & Crumley, 2007) and auto-catalysis (Padgett & Powell, 2012a). The former suggests that new institutions arise after significant experimentation, so the focus changes from the purposeful building of institutions to the distributed variation that ends up coalescing into a legitimate form in a given context. As Lounsbury and Crumley (2007) argue, "the emergence of new practices results from spatially dispersed, heterogeneous activity by actors with varying kinds and levels of resources" (p. 993). This institutional take on evolutionary perspectives based on the process of variation-selection-retention argues that distributed experimentation is not meant "to evolve gradually to fit the technical and economic constraints of environmental niches" (A. Meyer et al., 1990, p. 96). Instead, sociocognitive processes based on mutual awareness, repeated interactions, and collective framing (Kaplan & Tripsas, 2008; Porac et al., 1989; Rosa et al., 1999) are at the center in the development of homogenous areas of institutional life (DiMaggio & Powell, 1983).

Auto-catalysis, a perspective that weaves together biochemical processes with social network analysis to parallel the emergence of life with that of new organizations and

institutions, was recently put forward by Padgett and Powell (2012a). As field-level approach, it focuses not on individual and organizational interests and strategies, but rather on processes that take place at a more collective level. In this case, they emphasize the role of networks and argue that transformation is driven not only by distributed variation but also from the relations between those nodes and their potential “chain reactions” (p. 9). These mechanisms that are at play during the early days of institutional emergence include social interactions and cognitive processes such as preemption and anticipation, and “are not simply an aggregation of individual preferences or actions” (Colyvas & Maroulis, 2015, p. 603). These catalytic processes have been found to be important both in the transformation and in the rise of new fields (Padgett & McLean, 2006; Sgourev, 2015).

I have so far sketched five approaches to understanding change and emergence in organizational fields. While starting from different assumptions or perspectives, all of them are rooted in the institutional tradition of trying to account for the origins of more or less stable and homogenous norms and practices in a given context. I now turn the attention to theories of fields that speak more directly to the different ‘moments’ of field formation (emergence, stabilization, change) and to the contentious nature of these processes (Fligstein, 2001b; King & Pearce, 2010; Santos & Eisenhardt, 2009).

6.2.2 Field Dynamics and Early Moments

The concept of field has been widely used and variously defined in organization theory and sociology (Bourdieu, 1984; DiMaggio & Powell, 1983; Fligstein & McAdam, 2012; Hannan & Freeman, 1977). The institutional addition to organizational fields as understood by population ecologists was to include not only one type of organizations (e.g. automobile manufacturers) but instead all those that “in aggregate, constitute a

recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell, 1983, p. 148). Institutionalists have also emphasized the relational nature of fields, highlighting that “participants interact with one another more frequently and fatefully than with actors outside the field” (Scott, 1995, p. 56), and sometimes refer to them as issue-based fields, which “become centers of debates in which competing interests negotiate over issue interpretation” (Hoffman, 1999, p. 351). Including power relations in the characterization of fields (Fligstein, 1996; Santos & Eisenhardt, 2009) connects institutionalists with students of social movements, who see fields as “social arena[s] where something is at stake” (Fligstein, 2013, p. 40). However, from the point of view of the researcher, it is usually problematic to define *a priori* the boundaries of a field: Who shares the same meaning system? What interactions are frequent and fateful enough?

Bourdieu’s cultural conception of power, which leads him to see fields not as an aggregation of actors or as a set of organizations sharing an institutional arrangement, but as a space of social positions that are occupied by actors (Bourdieu, 1984) points to fields as an analytical tool, rather than a pre-defined set of actors and relations. Struggles are hence not among specific actors but among cultural categories, which are reproduced by broader social structures such as the education system, the labor market, or the production of culture. When we approach fields not as the study of specific actors but rather about inquiring over a dynamic social space shaped by culture and politics (Fligstein, 1996; Fourcade, 2007; Zelizer, 1978), it becomes a powerful analytical tool that prompts as to think about another set of questions: How did certain norms and practices become the standard? How have interactions changed in breadth and depth over time? These questions bring to the fore the need to study the early moments of fields, as their eventual

(although provisional) settlements will be the consequence of prior actions and interactions.

This also leads us to think about markets and industries *as fields* (Bourdieu, 1984; Fligstein, 2001b; Fourcade, 2007), which means that “instead of viewing markets as being constituted by anonymous actors that can organize stable exchange relations solely based on their individual interests”, they “can be understood as arenas of social interaction for the exchange of goods and services” (Beckert, 2010, p. 609). Using a field lens to study markets also means that I turn our attention from only producers and consumers to “intermediating regulatory agencies that range from the state to lobbying groups, unions, advocacy groups, and social pressure groups” (Beckert, 2010, p. 609), similar to what Fligstein and McAdam (2012) label as “internal governance units” (p. 77-78). In addition, Bourdieu’s notion of *habitus* reminds us that the actions carried out by individuals and organizations to “abide by and struggle to alter” (Fourcade, 2007, p. 1022) the rules of the game is often unconscious, the result of their capital endowments rather than rational strategies.

The concept of field is also useful to make sense of the early stages of market formation, what proponents of the industry life cycle name the “era of ferment” (Anderson & Tushman, 1990; Tushman & Anderson, 1986). This ferment is usually understood as rapid technological change that results in competing designs, different technological trajectories, and competing product architectures (Clark, 1985; Munir & Phillips, 2002; Utterback & Abernathy, 1975), but it also includes cognitive processes that take place through social interactions between different market (or field) actors (Kaplan & Tripsas, 2008; Rosa et al., 1999; Suarez, Grodal, & Gotsopoulos, 2014). Researchers agree that these early moments of industry formation are full of ambiguity, experimentation, and

contestation, which takes us back to the cognitive, political, and cultural features of fields (Bourdieu, 1984; Fligstein, 1996).

An emerging field is defined by Fligstein and McAdam (2012) as a “socially constructed space occupied by two or more groups whose actions are oriented to each other but who have yet to develop a stable order” (p. 86). According to the authors, fields “emerge at the interstices of existing fields” (p. 87), and they hint at population expansion, technological advance, and social organization as factors that can drive this emergence. However, much of the work on field emergence and change relies on the language and arguments of social movement theories (Bakker, Hond, King, & Weber, 2013; Soule, 2012), which argue that it is through collective action by some challengers (those groups at the periphery of the social structure) that the status quo will be modified (King & Pearce, 2010; Lounsbury et al., 2003). Despite the important insights of this literature to understand processes of institutional change, social movements arguments tend to be more focused on change processes than on the characteristics of those contexts that are more prone to experiment the rise of new institutions (Schneiberg & Lounsbury, 2008). In the next sections, I show how a focus on the field-level conditions of certain contexts reveals important interorganizational processes and organizational mechanisms that drive institutional emergence (See Table 6.2).

Table 6.2: A multilevel approach to institutional emergence

Level of Analysis	Observed Features	Theoretical Construct
Field conditions	➤ Institutional complexity ➤ Institutional ambiguity	Contexts of Ferment
Interorganizational processes	➤ Interactions ➤ Brokerage	Processes of Ferment
Organizational mechanisms	➤ Reassembling ties, meanings, and resources	Intermediation

Source: Author's analysis.

6.3 Contexts of Ferment: Field-level Conditions that Favor Institutional Emergence

Padgett and Powell (2012b) have recently highlighted the ‘poisedness’ of certain contexts that makes them conducive for the rise and settlement of new organizational forms, stating that analyzing how the structural conditions of those contexts affects innovation is “the next research frontier” (p. 26). While Johnson and Powell (forthcoming) show the reinforcing consequences of environmental, intellectual, and civic factors, I use an institutional lens to identify two characteristics that help us understand the challenges and opportunities that are present in these social spaces: institutional complexity and institutional ambiguity. I will start by describing the two features, and in the next section I will look at what processes are likely to emerge in such environments.

6.3.1 Institutional complexity

Recent literature on institutional complexity (Greenwood et al., 2011; Kraatz & Block, 2008) can help us think about what contexts of institutional emergence look like. Institutional complexity refers to the presence of multiple (often two, but sometimes more) institutional logics in one field of activity, hence offering different prescriptions or

guides for action to the organizations in that field (Thornton et al., 2012). This has been traditionally seen as a source of conflict, which is resolved when one logic gains preeminence over the others (Kent & Dacin, 2013; Thornton & Ocasio, 1999), but more recently scholars have also highlighted the possible complementarity of the different logics (Besharov & Smith, 2014; Smets et al., 2015).

If we start from the premise that contexts of emergence are not ‘voids’ in absence of institutions (Mair & Marti, 2009; Mair et al., 2012) but rather they are spaces that intersect with other institutional fields (Fligstein & McAdam, 2012, p. 87), we can expect the logics of those adjacent fields to influence the emerging space (Ansari et al., 2013). These are institutionally complex contexts (Mair et al., 2012). When responding to this institutional complexity, organizations have an array of possible strategies or responses (Binder, 2007; C. Oliver, 1991), ranging from acquiescence or compromise to defiance or manipulation (Pache & Santos, 2010). This juggling with multiple logics is sometimes understood as taking place at the level of individuals (McPherson & Sauder, 2013; Smets et al., 2015), although what is more relevant here is how the struggles among logics configure the new institutional field (Goodrick & Reay, 2011; Haveman & Rao, 1997; Reay & Hinings, 2005).

These struggles can take place at more or less stable intersections of fields, such as local and international professional services (Greenwood & Suddaby, 2006) business and charity sectors (Tracey et al., 2011), or financial, social, and public sectors (Nicholls, 2010b), where field-level contradictions are often reflected in daily practices (Faulconbridge & Muzio, 2016; Smets et al., 2012), but also at “more transitional *situations* in which actors from different fields interact” (Furnari, 2014, p. 440 emphasis in the original). The latter are labelled by Furnari (2014) as *interstitial spaces*, featuring individuals from different fields, occasional and informal interactions, and a limited

devotion of time. Furnari provides the example of the Homebrew Computer Club, which brought together technology experts and political activists in informal ways and at the edges of the emerging technology space, and which gave birth to a new era in personal computing through the development of the first Apple prototypes. Interestingly, he shows how these interstitial spaces both facilitate (by enabling collective experimentation) and hinder (by discouraging repetition of activities and construction of shared meanings) the genesis of new practices. This paradox of favoring and obstructing innovation at the same time is a characteristic of institutionally complex contexts, and researchers have suggested the importance of catalytic actors to move those innovations forward (Furnari, 2014; Sgourev, 2015).

These complex contexts are also presented as fragmented and disconnected. Fragmentation refers to “the number of uncoordinated constituents upon which an organization is dependent for legitimacy or material resources” (Greenwood et al., 2011, p. 337), resulting in many and diverse – and probably conflicting – institutional demands on organizations (Pache & Santos, 2010). For example, Sgourev (2013) portrays the art market in the early 20th century in Paris as fragmented, which made it more receptive to radical ideas and triggered the rise of Cubism.

Related to fragmentation is the disconnection that we find in institutionally complex contexts. If the former was about multiplicity and diversity in the institutional prescriptions, the latter is about the lack of bridges and interactions among different organizations or sectors that are present in that space. Sgourev (2015) describes the disconnection in France in the 1910s and 1920s between the cultural avant-garde and the more conservative high society, which prevented the acceptance of Modernist dance until explicit attempts to broker across these different social worlds were made. In this sense, fragmented and disconnected contexts, since they contain the building blocks of the future

(as William Gibson said, “the future is already here, it is just not very evenly distributed”), can favor the rise of individuals and organizations acting as *system builders* (Hajek et al., 2011; T. Hughes, 1983).

6.3.2 Institutional ambiguity

Despite the important insights provided by the recent literature on institutional complexity, the concept of ‘context of ferment’ developed in this thesis adds some important characteristics for the study of nascent fields. While looking at the conflicting institutional demands faced by organizations can be helpful in more or less established settings, it is less clear how that framework will be informative for understanding the challenges and opportunities for firms inhabiting the early moments of new markets or fields. For example, when Pache and Santos (2010) speak about acquiescence, compromise, defiance, and manipulation as possible organizational strategies, they assume that the means and ends prescribed by each logic are obvious for the organization and its different internal coalitions. However, one of the characteristics of nascent markets is not only that the standard norms and practices are to be settled but also that early market actors will have an important say in what those features look like in the future (Santos & Eisenhardt, 2009). Therefore, rather than *responding* to institutional complexity (Greenwood et al., 2011), the early moments of new fields require organizations to *define* what institutional demands will be relevant in that context (Purdy & Gray, 2009). This approach also surfaces the fact that institutional demands are not free of political contest and instead can change over time through top-down or bottom-up mechanisms (Rao et al., 2003) (see also section 4.4 in this thesis).

Precisely because of the lack of pre-defined institutional demands, the concept of institutional ambiguity (Aldrich & Fiol, 1994; Townsend & Hart, 2008) is necessary to

better understand the nature of contexts of ferment. In previous chapters I have already discussed – and unpacked – the concept of ambiguity, which is defined by Sgourev (2013, p. 12) as the “diversity of meanings, practices, ways of interpretation, and principles of evaluation”²⁴. The distinctiveness of ambiguity is that it acknowledges the fuzzy and hazy nature of contexts of emergence (Dorado, 2005) or, in other words, it does not assume that institutional logics guide clearly and uniformly those organizations in an emerging field. Instead, in the early moments of emergence, actors do not know what will be the boundaries and the prescriptions of the new field, and hence logics from adjacent fields are less structured and, probably, more malleable (Kent & Dacin, 2013; Santos & Eisenhardt, 2009). Institutional ambiguity implies, for example, that entrepreneurs do not have a clear perception around the norms regarding resource acquisition, stakeholder alignment, or legitimacy, which affects their choice of organizational form (Townsend & Hart, 2008).

To the extent that institutional pressures are less clear, ambiguity increases organizational discretion (Goodrick & Salancik, 1996; Greenwood et al., 2011), but it also increases the importance of sociocognitive processes that lead to the eventual stability of the field (Grodal et al., 2015; Kaplan & Tripsas, 2008). In consequence, whereas individual actors may have more capacity to *respond* to ambiguous institutional demands, the resolution of that ambiguity will likely take place at the field level rather than by organizations or even individuals on their own. The characteristics of the new space (product or service features, regulation, norms and values, boundaries, legitimate practices, etc.) are hence the result of continued interactions and struggles more than individual strategizing or decision-making (Lounsbury et al., 2003; Porac et al., 1989; Rosa et al., 1999).

²⁴ See the extensive discussion of ‘ambiguity’ in Chapter 4 of this thesis.

The UK social investment market is a good example of a new institutional field that has emerged in a context that is institutionally complex and ambiguous. On the one hand, the institutional logics of the financial, social, and public sectors are very present in the field (Nicholls, 2010b). The *market* logic (Thornton et al., 2012, p. 73) that is prevalent in the financial sector shows itself in the focus on transactions (or deals), the rational of efficiency (vs grants or public commissioning), the often ‘faceless’ metrics, or the centrality of the rate of return (ClearlySo, 2011). The *community* logic (Thornton et al., 2012, p. 73) that represents the social sector is evident in the search of the common good, the sense of membership towards a social investment field, the cooperation among different actors, or the personal commitment of many individuals (New Economics Foundation, 2008). Finally, the *state* logic (Thornton et al., 2012, p. 73) brings in concepts that are distinctive of the public sector, such as redistribution of taxpayers money, democratic participation in social enterprises, bureaucratic procedures for measuring impact, or the welfare state (City of London and Big Society Capital, 2013). These different sources of legitimacy, authority and identity (Thornton et al., 2012) are often in contradiction, infusing this emergent context with significant institutional complexity.

On the other hand, the market remains ambiguous in many ways. First, because there is lack of agreement around what approaches work best for social investment (what *means*), or even what should be the goals of social investment as a field (what *ends*). For some organizations the field is about a more efficient way of delivering public services; for others it is about alternative ways of financing the social sector; for others it is about transforming the financial markets to better serve society; for others it is about increasing community engagement; and yet for others it is about diversification of investment portfolios (see for example Charities Aid Foundation, 2010, ClearlySo, 2011, New Economics Foundation, 2008). If the goals are unclear, so are the means: from social

impact bonds to venture-capital-like funding, and from community shares to ‘social’ stock exchanges. This lack of consensus, characteristic of nascent markets (Beckert, 1996; Hajek et al., 2011), it is not only because of the contradictory prescriptions from different institutional logics, but also because of the lack of track records and the uncertainty about what tools will deliver what outcomes (Townsend & Hart, 2008; Ventresca & Levin, 2004).

After theorizing the features of these ‘contexts of ferment’, characterized by their complexity and ambiguity, I now turn to interrogate what processes are likely to take place under these conditions, and how they can drive the emergence of new institutional arrangements.

6.4 Processes of Ferment: Interorganizational Processes that Channel Institutional Emergence

By reviewing these field-level conditions we have seen that, under situations of institutional complexity and ambiguity, there are certain processes that take special relevance. For example, the multiplicity of institutional demands that arises in a context sitting at the intersection of different fields highlights the need of brokering actors that are able to connect different ‘worlds’ and often translate different languages (Tracey et al., 2011). Similarly, the lack of clear meanings and standards in these contexts of ferment makes relations and interactions among actors crucial to eventually resolving such ambiguity (Hajek et al., 2011). Henceforth I focus on two types of interorganizational processes that will likely take place in such contexts and which are important in driving institutional emergence.

6.4.1 Interactionism

The tradition of interactionism, which similarly to institutionalism runs in contraposition to rational choice theories, argues that new practices arise from the relations among actors, rather than from individuals' clear strategies (Barley, 2008; Goffman, 1978). While symbolic interactionism focused on the individual and subjective interpretations of those interactions (Blumer, 1969), other Chicago School sociologists (E. C. Hughes, 1942; Strauss, 1978) put institutions at the center of their research agendas (Barley, 2008). This tradition looks at action and interaction but always within specific social worlds or institutions. Similarly to structuration theory (Giddens, 1984) or the paradox of embedded agency (Battilana & D'Aunno, 2009; Dacin et al., 1999), they see institutions both as the product of interactions and negotiations and as resources or constraints for those interactions.

Although this perspective engages with individuals and their actions in everyday life, it distances itself from institutional entrepreneurship or institutional work perspectives by putting more emphasis on the fact that “all social systems are the sediments of a history of (...) forms of interaction by which humans seek to achieve their interests and legitimate their perspectives” (Barley, 2008, p. 500) and “ought not be viewed as products of unconstrained agency” (Strauss, 1978, p. 5). As “meaning resides in the social, not the individual” (Gray et al., 2015, p. 118), it is by looking at “people doing things together” (Hallett & Ventresca, 2006, p. 222) that we understand the effects of institutions. The *inhabited institutions* approach (Binder, 2007; Hallett, 2010; Hallett & Ventresca, 2006) sees interactions at the center of the reconciliation of the structure-agency debate: “institutions provide the raw materials and guidelines for social interactions”, while “the meanings of institutions are constructed and propelled forward by social interactions” (Hallett & Ventresca, 2006, p. 213). .

This interactionist approach is clearly a fruitful complement for institutional theory, as it “might help neo-institutionalists resolve important puzzles concerning (...) the social construction of organizational fields” (Barley, 2008, p. 510). For example, it points in the direction of looking at institutions as the result of struggles for legitimacy and political contests that unfold over time, through negotiations and persuasions that can be better captured by looking at daily interactions rather than through archival text analysis. It also warns against studying the emergence of certain institutions (a new organizational form, a new practice, a new norm) as discrete phenomena, because institutions in a field are interdependent and their development intertwined. Precisely this distributed (rather than individual) and pragmatic (rather than purposeful) understanding of agency emphasizes the importance of those organizations mediating in the interactions among other actors.

Interactions have been widely studied among individuals, as they enable individuals to define themselves and take part in social situations (Dacin, Munir, & Tracey, 2010; Goffman, 1978; Hallett, 2010), but they are also important at the organizational level. For example, Rosa and colleagues (1999) showed that it was through the repeated interactions (although not face-to-face) between consumers and producers that both of them made sense of the minivan category in the automobile industry, re-defining it as they received and interpreted each other’s inputs. Binder (2007) also reinforced the interactional component of how organizations respond to institutional complexity. In her study of a transitional housing organization, she highlighted the role of different departments in not only gathering but also interpreting information from their staff and clients.

In many cases, this type of interactionism becomes a central process for the emergence of new institutional fields or significant field-level changes. For example, Mair and Hehenberger (2014) stressed the relevance of front-stage and back-stage interactions between traditional philanthropists and former venture capitalists in the rise of venture

philanthropy as “a recognized area of institutional life” (DiMaggio & Powell, 1983, p. 148). Grodal (2007), in her study of the field of nanotechnology, showed the main role played by ‘community interactions’ among scientists, entrepreneurs, and venture capitalists in constructing field-level meanings and labels in the early years of this complex field. Similarly, Gray and colleagues (2015, p. 115) discuss “how ordinary, microlevel interactions garner sufficient collective agreement to spur change in prevailing institutional arrangements and become solidified as new cultural repertoires.” Specifically, they combine framing and interaction processes to identify different mechanisms that become the drivers of institutionalization. Other researchers have brought in the practice perspective to the early moments of institutions (Jarzabkowski, Smets, Bednarek, Burke, & Spee, 2013), for example highlighting how the everyday work of individuals, which is a reflection of broader institutional prescriptions, can originate change in contexts of institutional complexity (Smets et al., 2012).

As we have seen, interactions are a central process in institutionally complex and ambiguous contexts, and emergence and change cannot be explained in these situations without paying attention at particular spaces of interaction, such as “longstanding friendships, similar experiences, common dependencies, corporate interlocks, and active creation of new social relations” in the case of the construction of the electricity industry in the US (Granovetter & McGuire, 1998, pp. 166–167). Moreover, “cross-domain interactions” (Padgett & McLean, 2006, p. 6) are especially relevant in enabling (or hindering) innovative initiatives. In the case of Renaissance Florence, there were interactions across family, neighborhood, and economic networks that triggered the change from master-apprentice to patron-client relations (Padgett & McLean, 2006, p. 32), which takes us to the importance of brokering across different fields or domains.

However, it is important to keep in mind that, for interactionists, “social worlds cannot be reduced to networks” (Barley, 2008, p. 503), and hence our attention to brokerage should not prevent a broader perspective on those intermediaries that connect different ‘subworlds’.

6.4.2 Brokerage

Institutional entrepreneurship approaches suggest that certain actors have more capacity to “free themselves” (Furnari, 2014, p. 458) from existing institutions and to work towards new institutional arrangements. According to their level of legitimacy, these actors can be elites (Greenwood & Suddaby, 2006; Sherer & Lee, 2002) or have lower status (Ansari, Garud, & Kumaraswamy, 2016; Haveman & Rao, 1997; Leblebici et al., 1991), and from a structural point of view it is brokers who may be more able to navigate between different fields (and different institutional logics) without being totally embedded in one of them (Burt, 1992; Friedland & Alford, 1991).

Although some visions of brokerage are focused on the ability of brokers to take advantage from their position in detriment of others (Burt, 1992; Fernandez & Gould, 1994), other perspectives see them as a “joining force” (Khurana, 2002, p. 239) that drives fields forward (Obstfeld, 2005) and can be a source of innovation (Hargadon & Sutton, 1997).

In the case of institutionally complex and ambiguous contexts, brokering often means straddling different institutional fields with competing logics. For example, Greenwood and Suddaby (2006, p. 27) found that the ‘big five’ accounting firms were “immune to coercive and normative processes because their market activities expand beyond the jurisdiction of field-level regulations.” For this reason, even if they faced contradictory logics from the traditional accounting norms on one side and a multidisciplinary practice

on the other, they were able to bridge across those different domains and drive institutional change at the field level. Similarly, Tracey and colleagues (2011, p. 2) showed how a social enterprise bridged across different logics to legitimate a new organizational form, which implied working at the micro, meso, and macro levels. Paradoxically, they found that, “although the new business failed, the institutional project was eventually successful”, suggesting that the brokering activity was more effective at the field level than at the organizational level.

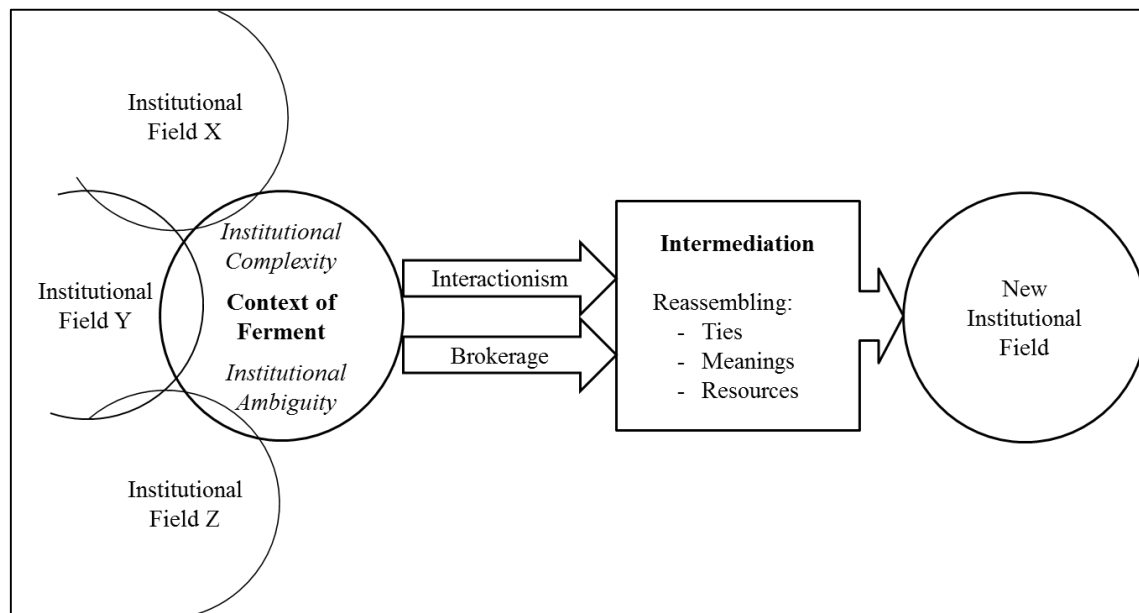
Sgourev (2015) has also highlighted the role that brokers can play in bringing about institutional change, as they can be the catalysts that trigger certain chains of events by connecting supply- and demand-side actors. Interestingly, this research connects with approaches where the role of agency is more nuanced, as the author acknowledges that brokers can hardly anticipate or control the “systemic effects” (Sgourev, 2015, p. 346) of their actions.

In contexts of ferment, intermediation goes beyond brokerage as the mere linking of disconnected actors and networks, including both a role of architects or system builders (Agogu   et al., 2013; Mair et al., 2012; Pollock et al., 2004), and a role of temporarily resolving ambiguity by defining or redefining norms and practices (Br  s & Gond, 2014; Mair et al., 2012). In the following section I portray how this perspective on intermediation fits in the multilevel framework and I present six organizational mechanisms by which it can drive the early moments of institutional life.

6.5 Intermediation as Reassembling: Organizational Mechanisms that Drive Institutional Emergence

I have portrayed contexts of ferment as being institutionally complex and ambiguous (see Figure 6.1), and hence having the challenge of being influenced by diverse organizing principles (Friedland & Alford, 1991; Greenwood et al., 2011) and not having clear norms and rules for action (Dorado, 2005; Townsend & Hart, 2008). We have also seen that, under these conditions, interactionism and brokerage can spur the rise of new institutions (Mair & Hehenberger, 2014; Sgourev, 2015). After focusing on field-level conditions and interorganizational processes, I now turn to those organizational mechanisms that contribute to bring about new institutional arrangements.

Figure 6.1: Model of how intermediation can drive institutional emergence



Source: Author's analysis.

I refer to intermediation as the action of transferring, or mediating in the transference, of different forms of capital (human, social, financial, cultural) between different fields or sectors (Bourdieu, 1986). It differs from economic theories of intermediation (Allen &

Santomero, 1998; Spulber, 1996) that are based on the reduction of transaction costs and the resulting *make or buy* decisions that influence the structures of markets and hierarchies (Williamson, 1975, 1981). It also departs from pure network theories (Burt, 2000; Gould & Fernandez, 1989) by bringing to the fore the cultural / institutional aspect of intermediation across different fields, connecting to work that has focused on the legitimation of categories (Anand & Peterson, 2000; Zuckerman, 1999), convening (Dorado, 2005; Mair & Hehenberger, 2014), lobbying (Brès & Gond, 2014; Morgan, 2008), developing metrics and rankings (Kent & Dacin, 2013; Sauder & Espeland, 2009), recombining norms and traditions (Mair et al., 2012), or translating field-level changes to local communities (Heinze et al., 2016).

The intermediaries doing this kind of work can be financial analysts, media organizations, trade associations, consultants, and others, but their main characteristics is that they are only partially embedded in the fields between which they mediate (Agogué et al., 2013; Dutt et al., 2015; Greenwood & Suddaby, 2006). It is precisely this straddling the boundaries of different institutional fields or logics (Battilana & Lee, 2014) that allows them to see the possibilities of recombining and reassembling resources from different origins. This way we can think, for example, about the kind of work that Thomas Edison, together with other individuals and organizations, did in the construction of the electrical system in the US (Hargadon & Douglas, 2001; T. Hughes, 1983), where they leveraged resources and knowledge from the financial industry, the previous gas industry, public administrations, universal expositions, and others, to come up with a new, complex industry and field.

In the case of the UK social investment space, these intermediaries can be social investment fund managers, who raise money from different types of investors and channel it to social enterprises or nonprofit organizations; advisors, who connect social enterprises

with potential investors; different platforms that highlight and endorse investment opportunities; industry associations that bring together actors with different visions and interests; or organizations acting at arm's length from the government and connecting it to the social and financial sectors (Cabinet Office UK, 2011, UK National Advisory Board to the Social Impact Investment Taskforce, 2014; Lyon & Baldock, 2014).

Although financial markets are known to be a very mediated context, we can also find similar intermediaries in other fields of activity, such as information platforms in the music industry (Anand & Peterson, 2000), rankings in higher education (Espeland & Sauder, 2007), associations of professional service firms (Greenwood et al., 2002), field-event organizers in the philanthropic sector (Mair & Hehenberger, 2014), distribution platforms for e-commerce (Sarkar, Butler, & Steinfield, 1995), etc.

By taking part in the transmission of different forms of capital and being able to move across field boundaries, intermediaries play a major role in putting together the building blocks of new institutional arrangements. These building blocks can be divided into three categories: ties (social capital), meanings (cultural capital), and resources (human and financial capital) (Bourdieu, 1986). The complex and ambiguous nature of contexts of ferment makes ties being often disconnected, meanings unclear, and resources dispersed, so intermediation can be understood as the act of reassembling those elements to build a new institutional field (see Table 6.3).

Table 6.3: Intermediation mechanisms in the early years of institutional life

Reassembling...	Forms of Capital	Mechanisms	Description
Ties	Social	<i>Bridging</i>	Connecting actors from different backgrounds
		<i>Convening</i>	Organizing events where disconnected actors can meet and interact
Meanings	Cultural	<i>Demarcating</i>	Setting the cognitive boundaries of the new field
		<i>Legitimizing</i>	Presenting certain actors or practices as acceptable or desired
Resources	Economic, Human	<i>Blended funding</i>	Leveraging financial capital with different origins and attachments
		<i>Blending skills</i>	Configuring teams with different backgrounds

Source: Author's analysis.

Reassembling ties. Focusing on the US market for initial public offerings (IPOs), Pollock and colleagues (2004, p. 51) showed how network architects “actively design, build, and maintain transactional networks”. By connecting actors with different interests and backgrounds (investors, advisors, regulators, etc.) they were *bridging* across different fields and building the networks that support the IPO market. Authors studying institutional logics and their role on stability and change have also pointed at the importance of bridging in coping with institutional contradictions (Bjerregaard & Luring, 2012). For example, Smets and colleagues (2015) see it as a mechanism to balance “conflicting-yet-complementary logics”, Tracey and colleagues (2011) as the trigger of new organizational forms, and Purdy and Gray (2009) as part of the multilevel dynamics that drive the emergence of new institutional fields..

Mair and Hehenberger (2014) studied how organizing frontstage and backstage events helped the institutionalization of the venture philanthropy sector in Europe. By *convening* these events, they were bringing together actors from different worlds – traditional philanthropy, venture capital, academia, etc. – and hence allowing them to build the infrastructure and institutions that would later support the rise of venture philanthropy. Similarly, Mair and colleagues (2012, p. 833) highlighted how the NGO BRAC in Bangladesh convened “spaces for interaction” by which they redefined the market architecture and its institutions. These spaces were for bringing together ‘equals’ (creation of social capital among women from rural villages) and ‘unequals’ (integrating the elites with members of the NGO, rural women, and other disadvantaged communities).

These examples show that by bridging across different sectors and convening events where disconnected actors are allowed and encouraged to interact, intermediary organizations can reassemble original ties and build new networks (Dorado, 2005). Networks are a basic element of markets and institutional fields (DiMaggio & Powell, 1983; Granovetter, 1985), and its ties, especially in contexts at the intersection of different fields, come from reassembling elements from other networks.

We find similar processes in the early years of the UK social investment market. For example, a social investment advisor convened high net worth individuals once a month to showcase investment opportunities from social enterprises, and another advisor organized roundtables with different actors such as investors, social enterprises, charitable trusts, etc. to share their perspectives and learn more about the functioning of the market, hence bridging across different backgrounds. Reassembling these ties is about connecting, but also about translating (Zilber, 2006), because often actors from different

sectors are guided by different logics and share different sets of meanings (Friedland & Alford, 1991).

Reassembling meanings. Suchman's (2000) study of the role played by lawyers in Silicon Valley highlights how they contributed to build and diffuse a particular "*cultural milieu*", that is the norms and meanings that make transactions between venture capitalists and entrepreneurs to be "comprehensible, desirable, feasible and meaningful" (Suchman, 1995, p. 264). The boundaries of an institutional field can be understood as the result of the meanings that the different actors attach to that particular field of activity. Santos and Eisenhardt (2009) showed that successful entrepreneurs often become the cognitive referents in their field because they are able to *demarcate* that particular market by presenting their product or service as the standard. This cognitive work is often carried out by intermediary organizations, such as market information regimes (Anand & Peterson, 2000) or auction houses (Khaire & Wadhwani, 2010). For example, Anand and Peterson (2000) studied the role of the Billboard magazine and other information intermediaries in defining what categories became central to the music industry in the early 1990s. Anand and Watson (2004) also showed that award ceremonies are important in distributing prestige, attracting collective attention, and sorting out the legitimacy of field participants, and Khaire and Wadhwani (2010) portrayed how auction houses provided a stable meaning to the nascent category of 'Indian modern art'.

Brès and Gond (2013) investigated the rise of Corporate Social Responsibility (CSR) practices in Canada and highlighted the role played by consultants in its social construction. These intermediary actors helped other organizations make sense of the social and environmental issues and negotiated the boundaries of what CSR is or is not. Similarly, Mair and colleagues (2012) identified two mechanisms by which the NGO BRAC helped *legitimate* new market actors and practices in rural Bangladesh. One was

“recombining norms and traditions” (p. 841), which included giving new meanings to concepts such as ‘household property’ or the responsibilities of local elites towards the community. The other one was about “developing sensemaking capacity” (p. 839), including questioning the situation of women as oppressed group and valuing the skills they have.

In contexts where field boundaries are still fuzzy and legitimacy is still malleable (Hajek et al., 2011; Santos & Eisenhardt, 2009), intermediary organizations are often responsible for defining and negotiating those boundaries, and for legitimating certain actors and practices. Reassembling these cognitive and normative meanings, they help construct new institutional environments.

In the UK social investment market we also find intermediaries building meanings by reassembling concepts from other fields. For example, some social investment fund managers have brought the ideas and practices from the private equity industry and applied them to social investment, in terms of expectations of financial returns, duration of investments, exit strategies, or involvement in the management of the investee (Bridges Ventures, 2013). Other intermediaries also incorporate concepts like business angels, franchising, return on investment, or ‘big society’ in their publications to stretch the boundaries of the new field in different ways (Charities Aid Foundation, 2010, Common Capital, 2013, New Economics Foundation, 2004, The International Centre for Social Franchising, 2012).

Reassembling resources. Analyzing the emergence of the HIV/AIDS treatment advocacy field in Canada, Maguire and colleagues (2004, p. 668) highlighted the role of intermediaries “because they facilitate access to resources held by the different groups”. The microfinance sector is another example of how intermediaries can use *blended*

funding to reassemble resources from other fields and build a new institutional arrangement. Kent and Dacin (2013) showed that the evolution of microfinance was very different when the money came from foundations and other non-profit organizations and when it came from commercial banks. Microfinance intermediaries were hence responsible for tapping certain doors to fund their projects, hence incorporating the different values and requirements of that funding. Similarly, the role of BRAC in Bangladesh included “expanding resource systems” and “redefining local arrangements” (Mair et al., 2012, p. 838), which means leveraging government systems, local means, and other sources of support, to build new institutions.

Another resource that needs to be reassembled in these contexts is human capital, something that intermediaries do by *blending skills* from people with different backgrounds. For example, in their study of venture philanthropy Mair and Hehenberger (2014) identified how some organizations leveraged human capital and other resources from the financial industry to build an emergent sector: “these professionals saw VP as an attractive way of (in their words) “giving back to society” or “entering the non-profit world” by using their own skills and money but also the untapped resources of their professional community” (p. 1183). Battilana and Dorado (2010) also showed how, in an emergent field such as microfinance, organizations did not fare well if the ‘social’ and ‘financial’ teams worked as different compartments. Instead, if the employees developed a common organizational identity and hence their skills were blended rather than compartmentalized, it resulted in a more successful organization.

It is important to note that the reassembly of these dispersed resources can be done at different levels. We find cases where the intermediary blends skills and financial resources inside its own organization (Battilana & Dorado, 2010), others were industry associations are in charge of bringing together organizations with different types of resources and

backgrounds (Mair & Hehenberger, 2014), and others where its role is around the mobilization of resources from other parties by creating the necessary platforms (Mair et al., 2012).

In the UK social investment market it is clear that intermediary organizations brought resources in from other fields. One way was through hiring employees from the venture capital and private equity industries together with people from different areas of the social sector (New Economics Foundation, 2006). Another example is through funding, as especially social investment fund managers are capable of blending together investments from different sources, such as charitable trusts and foundations, government agencies, and private investors (Cabinet Office UK, 2013). In other cases, the role of social investment intermediaries has been to mobilize resources by creating awareness and the appropriate tools for different types of capital to be involved in the emerging field (Cabinet Office UK, 2011).

6.6 Discussion

The question about the origins of new institutions, understood not as solutions to collective problems, but rather as the “outcomes of cultural and political contention” (Barley, 2008, p. 299; Fligstein, 1996) is becoming more central for institutional theorists (Furnari, 2014; Padgett & Powell, 2012a).

In this article, I propose a multilevel framework to understand such early moments of institutional emergence. I have built on previous work on the early stages of institutional fields (Padgett & Powell, 2012a; Santos & Eisenhardt, 2009) to theorize those contexts that are conducive for emergence as institutionally complex – because they lay at the

intersection of other fields with different logics (Greenwood et al., 2011; Nicholls, 2010b) – and as institutionally ambiguous – because the norms and standards are unclear and the order of things is “not corrigible through increments of information” (Dorado, 2005; Ventresca & Levin, 2004, p. 1).

I have then analyzed what interorganizational processes are bound to take place in such contexts of ferment, showing the importance of interactionism and brokerage and their role in spurring the social and cultural dynamics that are needed for institutional transformation (Hallett & Ventresca, 2006; Sgourev, 2015).

Finally, I have conceptualized intermediation as the reassembly of the building blocks of new institutional fields and presented six organizational mechanisms that can drive those early moments of institutions (Brès & Gond, 2014; Mair et al., 2012). Along the article, the case of the UK social investment market has helped me illustrate some of the theoretical concepts (Nicholls, 2010b; UK National Advisory Board to the Social Impact Investment Taskforce, 2014).

With this paper I respond to calls for more research on the genesis of new institutions (Colyvas & Maroulis, 2015; Lawrence et al., 2011, p. 55; Padgett & Powell, 2012a), as well as to the need of multilevel approaches to study the relation between institutions and organizations (Gray et al., 2015; Thornton et al., 2012). The contribution of my theoretical framework is threefold: to the debates between structure and agency (Battilana & D’Aunno, 2009), by highlighting the importance of field conditions and contexts of ferment; to the dynamics of field emergence (Fligstein & McAdam, 2012), by showing what interorganizational processes can channel those early moments of institutional fields; and to the microfoundations of institutional theory (Powell & Colyvas, 2008), by

conceptualizing intermediation as the reassembly of ties, meanings and resources and specifying six intermediation mechanisms that drive institutional emergence.

First, my focus on field-level conditions that are conducive for institutional transformation contributes to reconcile entrepreneurial accounts of institutional emergence and change (Battilana et al., 2009), where the purposeful action of certain individuals and organizations is seen as the driver of new institutional arrangements, with accounts that favor field-level processes of change where the role actors is sometimes vague (Lounsbury, 2007; Sgourev, 2013). As stated by Sgourev (2015, p. 346) institutional theories of change offer both perspectives “where well-connected actors frame their ideas to convince others to follow” and others “where relational interdependences generate systemic change”. In the last few years there has been a resurgence of entrepreneurial approaches, but some authors have voiced a “cautionary tale” against “actor-centered institutionalism” that leaves aside “structural arguments, political institutional claims, and cultural determinism” (Schneiberg, 2013, p. 280). This thesis honors this institutional tradition by “re-embed[ing] actors in their contexts, and reengag[ing] inter- and multilevel institutional structures and processes” (Schneiberg, 2013, p. 280).

Therefore, I started my theoretical inquiry by asking what kinds of contexts are more conducive to the rise of new institutions. Prior research has shown that small-scale and informal settings where individuals from different fields interact can be fruitful for institutional genesis (Furnari, 2014), but my field-level approach has shown that such ‘interstitial spaces’ can be scattered throughout a larger context: field-level conferences, hybrid organizations, roundtables, industry associations, or multi-sector taskforces. Other researchers have found that social worlds are more hospitable (or *poised*) for innovation when environmental, intellectual, and civic factors reinforce each other (Johnson &

Powell, forthcoming), but they were silent about how the lack of clarity and agreement around the features of new organizational forms (in their case, research-intensive botanical gardens) can also play an important role in bringing about innovative practices. Here I bring insights from research on institutional logics (Greenwood et al., 2011) and the early moments of field formation (Santos & Eisenhardt, 2009) to increase our understanding of when a certain context is good soil for the emergence of new institutions, showing that the complexity and ambiguity that arise at the intersection of different fields are features that favor variation, experimentation, and institutional transformation. However, while I acknowledge that contexts at the intersection of multiple logics offer unclear guides for action or organizing principles (Friedland & Alford, 1991; Greenwood et al., 2011), I question empirical approaches that focus on individual (i.e. one person, or one organization) responses to those complexities and disregard the distributed, mediated, and collective construction of new meanings and practices.

While my intermediation mechanisms are related to institutional work's view that actors "interpret, translate, transpose, edit, and recombine institutions" (T. Lawrence et al., 2011, p. 55), I portray intermediary organizations not as all powerful actors but rather as those with the capacity to channel processes that go beyond their individual purposes or strategies, hence seeing specific actors (in this case, intermediaries) not as the *triggers* of institutional transformation but as the *levers* that enable this kind of generative processes.

My second contribution is precisely related to those interorganizational processes that take place in the early moments of field emergence and hence link field-level dynamics with organizational strategies. Other researchers have portrayed practice (Jarzabkowski et al., 2013; Smets et al., 2012) or framing (Gray et al., 2015; Lounsbury et al., 2003) as the connection between individual and institutional processes, and here I highlight two processes that are especially relevant in contexts of ferment. I build on the idea that social

skills depend “very much on whether or not an organizational field is forming, stable or in crisis” (Fligstein, 1997, p. 398) to argue that certain interorganizational processes will be increasingly important in the early stages of new fields. We have seen that the complexity and ambiguity that characterizes these early moments, albeit it can be difficult to manage at the individual and organizational levels, can also be fertile ground for innovation and emergence at the field level (Hargadon & Sutton, 1997; Padgett & Powell, 2012b). The reason is the flexibility that comes from not being embedded in a single institutional logic (Friedland & Alford, 1991), as well as the availability of resources and ideas from different sectors (Hargadon & Douglas, 2001).

In these contexts, I have identified the importance of interactions and brokerage following two different but interrelated traditions in organization theory. The former is grounded in the interactionist approach of the Chicago School of sociology (Barley, 2008; E. C. Hughes, 1942) and based on the idea that it is through repeated contacts and exchanges between actors that meanings are constructed and certain designs become dominant (Kaplan & Tripsas, 2008). Research in cognitive strategy (Kaplan, 2011) has shown that the evolution of market technologies is intertwined with the meanings and categories that make sense and influence those technologies (Grodal et al., 2015), and that interactions between producers, consumers, and other actors are key in the development of those categories (Grodal, 2007; Rosa et al., 1999). Moreover, in the ‘eras of ferment’, which are the early stages of market or field formation (Utterback & Abernathy, 1975), the construction of meanings and hence intense interactionism gain especial relevance (Suarez et al., 2014). I also build on institutional approaches that have recently re-engaged with this interactionist perspective (Barley, 2008), showing the importance of interactions in our understanding of how institutions are instantiated in organizational life (Hallett & Ventresca, 2006). However, while research on *inhabited institutions* has tended to focus

on specific organizational settings (Binder, 2007; Hallett, 2010), I look at how interorganizational interactions influence field-level processes. Other researchers have also shown how micro dynamics can stack up via different framing mechanisms to spur institutional change (Gray et al., 2015), but without linking the initial field-level conditions (what I call contexts of ferment) with the specific mechanisms that drive field emergence.

Brokerage, understood as connecting actors or networks that were previously disconnected (Burt, 1992), is related to interactions and it becomes salient in contexts where different fields intersect and meanings are still unclear (Hargadon & Sutton, 1997). I hence build on this tradition of seeing brokerage as a crucial process in early stages of field development (Pollock et al., 2004; Sgourev, 2015), but I distance from conceptualizations of intermediaries that only take into account network structures. Instead, I see brokering processes as a stepping stone for certain organizations to play distinct roles in the formation of new markets or fields. I have also highlighted the need to straddle different logics in contexts of institutional contradictions (Jarzabkowski et al., 2013; Smets et al., 2015), hence portraying brokerage as an important interorganizational process that links field-level and organizational dynamics. However, while some of this research on institutional complexity has tried to link individual and organizational actions with clear institutional demands (stemming from multiple logics), I place brokerage activities in contexts that are full of ambiguity around what practices, rules, and identities are relevant and legitimate.

Finally, I have contributed to the microfoundations of institutional theory by showing the central role of intermediation. Linking intermediation to field and interorganizational processes I argue that microfoundations need to be understood as embedded (both enabled and constrained) by broader social dynamics (Powell & Colyvas, 2008; Sahlin & Wedlin,

2008), rather than as individual interests or strategies that can be easily aggregated to explain complex institutional transformations (Hwang & Colyvas, 2011). Furthermore, I present six intermediation mechanisms that specify *how* intermediary organizations can drive institutional emergence. These mechanisms bring to the fore the complementarity of different forms of capital (Bourdieu, 1986) as the ‘building blocks’ of institutional fields, and the need to look at all of them together when studying processes of field formation. I have shown that intermediation, understood as leveraging different forms of capital and mediating in their acquisition by other organizations, gains much importance in these processes of field emergence. The reassembling perspective on intermediation provides a new account of how institutional fields are often defined in their early years, and how their fate is dependent on “field-level political struggles over meanings and resources” (Lounsbury et al., 2003, p. 96) where intermediary organizations play a central role.

Classical economic theories treat intermediaries as those actors that mediate between a buyer and a seller (Gurley & Shaw, 1960; Yanelle, 1989), being their *raison d’être* lowering transaction costs and increasing efficiency in the market (Spulber, 1996). However, this focus on the transaction itself and the different costs associated with it (Williamson, 1975, 1981) assumes a short-term, narrow, and overly rational process of decision making by organizations (Granovetter, 1985; Hirsch et al., 1987). Despite some economists have also looked into the field-level effects of intermediation, for example increasing trust (Zucker, 1986) or complexity (Allen & Santomero, 1998), usually this economic approach prevents researchers from capturing the role of intermediaries in the construction of the networks, meanings, and institutions that the market is made of.

Network theories focus on the ties and nodes of the market or field in question, bringing insights about how intermediaries (or *brokers*) help connect disconnected actors and

networks (Burt, 1992; Gould & Fernandez, 1989), hence expanding the flow of information and resources (Obstfeld, 2005). These brokers can then become “network architects” and have a strong role in shaping the boundaries of the field (Pollock et al., 2004). However, Khurana (2002) distinguishes between brokers and intermediaries, where the latter operate in contexts that are riskier, more institutionally complex, and less standardized.

This links to research that has taken a more in-depth approach to the work made by some intermediary organizations, the conclusion from which is that these actors have a strong influence in the emergence and development of new institutions (Brès & Gond, 2014; Mair et al., 2012), as well as seeing professional or advocacy-based associations as organizations doing intermediation work among their members (Galvin, 2002; Greenwood et al., 2002) and participating in institutional change.

Other organizational scholars have also shown the important roles that organizations that we can label as intermediaries, such as financial analysts (Zuckerman, 1999), venture capital lawyers (Suchman, 2000), information platforms (Anand & Peterson, 2000), university rankers (Espeland & Sauder, 2007), or the media (Kennedy, 2008) can have in the development of markets and other institutional fields. However, my framework distances itself from research that focuses only on the activities of those intermediaries, and calls for research designs that acknowledge the importance of field-level conditions in favoring (or hindering) the potential roles of intermediary organizations.

My perspective on intermediation hence resonates with the concept of *institutional intermediaries*, defined as “intermediaries that create and develop institutions” (Dutt et al., 2015, p. 818). However, while they focus on how intermediaries build market or commercial infrastructure in developing countries, characterized as institutional voids

(Mair et al., 2012), I argue that institutional intermediation should also include the building of other types of infrastructure (e.g. cultural or political) in different contexts, especially in those that are in early stages of formation. Moreover, I contend that the concept of institutional intermediation, if combined with the concept of ‘contexts of ferment’ helps us bridge across actor-centric and field-level approaches to institutional change and emergence.

I have also characterized intermediation in contexts of emergence as the process of reassembling ties, meanings, and resources, and I suggest that future research can expand each of these aspects and the interrelations among them.

The aim of this article has been to shed light on the processes that take place in the early moments of institutional life. By raising questions about the characteristics of contexts that can favor institutional emergence and change, I have brought the notion of intermediation to the center of my argument: intermediary organizations reassemble ties, meanings, and resources from adjacent fields to drive the rise of new institutional arrangements.

Seeing these processes of emergence as relational, and agency as distributed, helps entrepreneurs, policy makers, and system builders in general understand the kind of work that is needed to help build new markets and fields, especially when tackling some of the grand challenges in our society that remain complex and uncertain (Ferraro et al., 2015). Our framework pushes this kind of work to rely less on individual or organizational heroes, or detailed strategic plans, and more on promoting cross-sector interactions, weak ties, asset flexibility, and the construction of meaning.

Further details of these contributions can be found in Chapter 7, where I frame processes of emergence as distributed, multilevel, and mediated (section 7.2.1); where I describe

intermediation as a process of reassembling (section 7.2.2); and where I emphasize intermediation not only between different actors but also across levels of analysis (section 7.2.2).

7 Discussion

7.1 Introduction

This final chapter seeks to summarize and reinforce the contributions of the thesis. Although each chapter has a particular conclusion or discussion section, some of the contributions of the thesis span the different chapters. Therefore, this section is divided into the three main areas of research to which it relates: *nascent markets* – contributing to different traditions in the sociology of markets (Fligstein & Dauter, 2007; Santos & Eisenhardt, 2009); *intermediation* – with the aim of highlighting its importance in processes of market and field formation (Mair et al., 2012; Sgourev, 2015); and building social finance *markets* (Arjaliès, 2010; Nicholls, 2010b).

Some of the contributions are grounded on the empirical setting (e.g. the mechanism of collaborative contestation), others are synthesis and development of extant theory (e.g. the multilevel framework of institutional emergence), and yet others are a blend of both (e.g. the specific features of ambiguity that are linked to different traditions in the sociology of markets). Especially with the contributions to our understanding of social finance markets, I also seek to use the example of social investment in the UK to produce insights that can be of use to policy makers and practitioners who want to build this type of markets at the intersection of financial and social impact approaches.

Finally, I offer six promising avenues for future research that can strengthen the literature of the sociology of markets and develop our knowledge around the early stages of market and field formation.

7.2 Contributions

7.2.1 Nascent markets

Ambiguity and contestation. The core of this thesis contributes to our understanding of how new markets come to being (Padgett & Powell, 2012a). By choosing an empirical context – the UK social investment market – that is exemplar because of its complexity, relevance, and stage of development (see Chapter 3 for details of the research context), I have been able to theorize about the dynamics of the early moments of market formation.

First, I have emphasized the importance of ambiguity in such early stages and identified its different features. Other studies have used the concepts of ambiguity or uncertainty in relation to processes of market formation (Beckert, 1996; Santos & Eisenhardt, 2009; Sgourev, 2013; Townsend & Hart, 2008), but often without specifying the features that were included in its definition. They usually build on the Knightian version of uncertainty (Knight, 1921), referring to those “situations in which agents cannot anticipate the outcome of a decision and cannot assign probabilities to the outcome” (Beckert, 1996, p. 804). Others have used loose definitions of ambiguity, such as “the lack of clarity about the meaning and implications of particular events or situations” (Santos & Eisenhardt, 2009, p. 644) or “the coexistence of two or more distinct ways of interpretation” (Sgourev, 2013, p. 4). Given the centrality of the concept in the imagery of how nascent markets work, the literatures on the sociology of markets and field formation are in need of a clarification – or, I could say, disambiguation – about what ambiguity looks like in the early moments of market emergence.

Building on my empirical data, I have devoted much of Chapter 4 to the effort of tracking down the shifting sites, expressions, and impacts of ambiguity over the initial 15 years of the UK social investment market. In addition, I have related each of the features of

ambiguity to a different tradition within the sociology of markets. The first theme was the lack of clarity around the *rules* of the game, in this case the formal rules that stemmed from government intervention and the informal norms that signaled what was legitimate at certain points in time. This relates to institutional theory's perspective on markets and fields, which often refers to the regulative, normative, and cultural-cognitive pillars that govern institutional fields (DiMaggio & Powell, 1983; Scott, 1995). My data suggested that social investment moved from lacking specific regulation, a clear government strategy, or a common ground about what worked and what was legitimate to a period when Big Society Capital channeled most government intervention with a clear strategy and an endorsement of certain practices.

The second theme was the lack of a clear field *identity*, epitomized by the variety and lack of consistency in the use of terms to refer to social investment and the doubt around what people and what skills were going to be necessary to move the field forward. The creation of an identity links to the sociocognitive domain of market formation, which pays special attention to the construction of categorical identities and shared meanings (Khaire & Wadhwani, 2010; Weber et al., 2008). In this empirical case, it moved from a variety of terms and definitions to the preeminence of the term 'social investment' and its attachment to former professionals from the financial sector.

The third theme was the ambiguity around *practices*, specifically the vague definition of product features and metrics, which is central in studies that bring a technology innovation perspective (Grodal et al., 2015; Munir & Phillips, 2002). In the case of social investment in the UK, although certain financial tools such as social impact bonds have gathered significant attention, the lack of long-enough track records has proved a barrier to agree on what products and impact metrics are the most appropriate.

Finally, the fourth theme was around the presence and status of *dominant actors*, including lack of agreement around what actors are part of the market as well as which ones are considered incumbents and/or challengers. This relates directly to the political construction of markets that is emphasized in social movement theory (Arjaliès, 2010; Soule, 2012) and much of the work around field dynamics (Fligstein, 1996; Fligstein & McAdam, 2012; Giamporcaro & Gond, 2016). In this case, ambiguity was reduced over time by the appearance of a set of actors that were clearly identified with the social investment market (the so-called social investment financial intermediaries, social banks, certain departments in the government, certain innovative foundations) and the dominance of a small number of incumbent organizations (basically Big Society Capital, the Cabinet Office, and two or three of the largest social investment funds).

Second, I have presented a model of market formation that disentangles what other researchers had labelled as “era of ferment” and described it as full of experimentation, ambiguity, and contestation (Anderson & Tushman, 1990; Kaplan & Tripsas, 2008; Munir & Phillips, 2002). By specifying the features that are prone to experience such ambiguity, I have observed that ambiguity was not followed by a period of stability but instead by an increase in the levels of contestation. This was clear, for example, in the case of government intervention around social investment. In the beginning, the interventions were in different directions and without a clear vision of where the field was going, and hence it was difficult for peripheral organizations to critique its strategy because the government arguably lacked one. However, once it started focusing its efforts on the establishment of Big Society Capital and promoting a specific version of social investment (hence disambiguating the rules of the game), the critics started challenging the road that the market had taken. Similarly, the market started without a clear identity and therefore many different actors felt welcome to experiment and innovate. However,

when “the private equity guys” started colonizing the field and mimicking practices from the financial sector, certain parts of the social sector contested their legitimacy to do so.

By offering an account of how ambiguity and contestation are sequenced in processes of market formation, I have contributed to the body of research that studies interorganizational dynamics in the early moments of field formation. While other researchers have emphasized the role of entrepreneurs (Santos & Eisenhardt, 2009), networks (Padgett & Powell, 2012b), brokers (Sgourev, 2015), or the categorization of technology (Grodal et al., 2015), I have highlighted the importance of field-level processes.

In this sense, I have helped move research on nascent markets in a direction that acknowledges its complexities and tries to find some order in the development of field-level processes, rather than relying solely on the purposeful strategies of organizations and individuals. For example, contestation in this case was the consequence of a process of top-down disambiguation, where organizations with close ties with the government pushed for a specific version of social investment. It would be interesting to see other cases in which different types of disambiguation processes (top-down vs bottom-up, short vs long, coercive vs empowering) lead to different levels (or different types) of contestation.

And third, I have showed that a specific process can drive the development of new markets after the initial rise of a ‘dominant design’ (Anderson & Tushman, 1990): collaborative contestation. As I just said, contestation in the UK social investment market was in part the result of a top-down disambiguation of the initial variation and lack of clarity around the rules, identities, practices, and dominant actors in the field. This process, characterized by the receptivity of mainstream organizations, the sympathy of

the critics, and the joint efforts to find solutions to the new challenges, contributes to adding some nuance to market dynamics that are sometimes labelled only as “contested” (Khavul et al., 2013; Schneiberg & Soule, 2005).

Distributed, mediated, and multilevel. Another contribution related to field dynamics is to provide an account of institutional emergence that is rich in organizational action but which goes beyond the purposeful strategies of specific organizations and instead portrays the rise of the market for social investment in the last few years as the collective action (Hargrave & Van de Ven, 2006) of an *ensemble cast*.

Research on institutional entrepreneurship has given preeminence to the role of certain organizations or individuals in the transformation of institutional fields (Garud et al., 2002; Tracey et al., 2011). While these actor-driven accounts of institutional change have been fruitful for showing that certain “organized actors with sufficient resources” (DiMaggio, 1988, p. 14) are able to imagine new institutional arrangements (Greenwood & Suddaby, 2006; Maguire et al., 2004), they have sometimes lost sight of broader processes that take place at a more collective level.

The literature on institutional work has embraced a more distributed nature of agency, which is seen as “something often accomplished through the coordinated and uncoordinated efforts of a potentially large number of actors” (Lawrence et al., 2011, p. 55). Proponents of the institutional work perspective seek to “explore how individual actors contribute to institutional change, how those contributions combine, how actors respond to one another’s efforts” (Lawrence et al., 2011, p. 55), hence focusing more on the “purposive action of individuals and organizations” (Lawrence & Suddaby, 2006, p. 215) than on how their actions and interests are influenced by their institutional

environments and their interactions with other actors (Hallett & Ventresca, 2006; J. W. Meyer & Rowan, 1977).

With my research I have offered an account that is at the same time organization-rich (Casasnovas & Ventresca, 2016) and attentive to how market formation processes take place at a level that is beyond individual purpose or strategy. Instead, I have shown how these processes spawn in different directions, at different rhythms, and with often unpredictable consequences, hence portraying field dynamics not as organizations operating in a vacuum but as a set of interrelated mechanisms at play. I have also shown that such processes cannot be understood by looking at the nascent market out of context, but that the role of adjacent sectors or fields and the organizations mediating among them play a key role in how markets develop. The importance of these interstitial spaces is more and more acknowledged by organization and institutional theorists (Furnari, 2014; Zietsma & Lawrence, 2010), and it represents a promising avenue for future research on field emergence. However, while Zietsma and Lawrence (2010) focused on changing organizational boundaries and Furnari (2014, p. 443) focused on “small-scale settings where individuals positioned in different fields interact occasionally and informally”, I look at the intersection of different sectors or social worlds, where organizations following different logics interact on an ongoing basis at a more formal level.

Finally, and connecting to this point, in Chapter 6 I have offered a multilevel framework of institutional emergence. I have argued that the institutional pressures or demands (C. Oliver, 1991; Pache & Santos, 2010) faced by organizations do not stem directly from societal-level norms or institutional logics (Friedland & Alford, 1991), but instead they are mediated by contextual conditions and mechanisms that reflect those broader logics but which embody the complexity of situated settings. Therefore, I have moved away from trying to explain how the “community logic” or the “market logic” guide the actions

of social enterprises and I have focused on how the particular idiosyncrasy of, for example, the social sector and the private equity industry in the UK affect the development of social investment practices.

Moreover, I have followed the insights of researchers that have provided multilevel answers to the questions of field emergence and transformation (Gray et al., 2015; Purdy & Gray, 2009; Tracey et al., 2011) by linking field, organizational, and individual levels of analysis. I have contributed to this line of research by offering a framework that links field-level conditions, interorganizational processes, and intermediation mechanisms to explain how new institutional fields emerge at the intersection of other fields. By building on and extending literatures on institutional complexity (Greenwood et al., 2011), technological innovation (Geroski, 2003), brokerage (Sgourev, 2015), and interactionism (Hallett & Ventresca, 2006), I have been able to theorize the multilevel nature of these complex processes and emphasize the importance of intermediation across levels and in-between fields.

7.2.2 Intermediation

Chapters 5 and 6 have dealt with the concept of intermediation, showing how it helps us understand the early moments of market formation. By engaging with the work of intermediary organizations and theorizing more broadly about the importance of intermediation mechanisms in the construction of new markets, especially in their early stages, I have contributed in different ways to pushing this body of work forward.

Intermediation mechanisms. By taking a close look at the dynamics of the social investment market in the UK, I have contributed to theories of intermediation by providing a broad definition of what types of processes and organizations it can encompass. Previous research had focused on specific intermediary organizations such as

financial analysts (Zuckerman, 1999), information providers (Anand & Peterson, 2000), lawyers (Suchman, 2000), or investment brokers (Pollock et al., 2004). Instead, I have started from the realization that all markets include the exchange of different types of resources or forms of capital (Bourdieu, 1986). Even if studying a financial market the default option could have been to study financial intermediaries, my initial coding of the interviews and reports suggested the importance of human, social, and cultural capital in the development of the social investment market. For this reason, on the one hand it seemed appropriate to focus on organizations that mediate in how market actors acquire different forms of capital, which has allowed me to bring together trade associations with financial advisors, or investment funds with exchange platforms, because they all perform a similar mediating function. On the other hand, it has driven me to understand intermediation mechanisms not as influencing specific exchanges but as building the networks, meanings, and institutions that represent the building blocks of the new market.

Apart from better understanding the role that intermediaries have had in the early stages of the social investment market in the UK, this broad approach has enabled me to connect my findings to other recent studies that, without using the language of intermediation, have provided similar insights regarding the role played by industry associations (Mair & Hehenberger, 2014), community organizations (Mair et al., 2012), or specialized consultants (Brès & Gond, 2014).

This also means that intermediation processes and mechanisms can appear in very different forms, from convening to lobbying and from disseminating information to establishing the rules of the game. Therefore, by providing this systemic approach to understanding intermediation dynamics, I have contributed precisely by mediating between previously disconnected literatures that can cross-fertilize each other.

Intermediation as reassembling. In line with the previous point, I have contributed to the body of work on brokerage and intermediation (Dutt et al., 2015; Sgourev, 2015) by showing their importance in the early moments of market formation. By linking field-level conditions to interorganizational processes and organizational mechanisms, I have showed that contexts characterized by institutional complexity and ambiguity (Greenwood et al., 2011; Townsend & Hart, 2008) are conducive for the emergence of new institutional fields through the work of intermediary organizations. I have portrayed these intermediation mechanisms as the reassembling of different types of resources that are often located in different fields, and which come together thanks to the importance of brokerage and interactions in such complex contexts (Furnari, 2014; Sgourev, 2013).

The analogy of intermediation as reassembling stems from the fact that new fields are born from resources, meanings, and ties that previously belonged to other fields and that are put together in a different fashion (*reassembled*) to build the new institutional field (Raynard et al., 2013; Schneiberg, 2007). In the case of the UK social investment market it meant, for example, that social investment funds and advisors brought together expertise from the private equity industry and the financial markets with funding from the government and with the legitimacy of charitable foundations and social sector organizations as the building blocks of the new market. This contributes, as we have seen, to our understanding of field emergence, but also as a powerful image of the importance and the inner workings of intermediation processes (Mair et al., 2012).

Intermediation across levels of analysis. The multilevel framework of institutional emergence presented in Chapter 6 suggests another aspect of intermediation to which this thesis contributes: institutional demands that take place across different levels of analysis are mediated by different mechanisms. For example, the societal-level institutional logics described by Friedland and Alford (1991) are a useful framework to understand the

different guiding principles (or rationalities) that govern different spheres in our society, as well as how the overlapping of such institutional orders paves the way for conflict but also for innovation and ferment. However, the case of the social investment market in the UK shows that the influence of these logics over organizational practices is not straightforward. Instead, it is mediated by the institutional arrangements (specific rules, norms, beliefs, history) of the fields – such as the private equity industry, charity financing, or government commissioning – that were adjacent and gave birth to it. Therefore, it is important that, when tracking how institutional demands affect organizational structures and strategies (Pache & Santos, 2010), researchers take into account the mediating role of contextual material and symbolic infrastructure.

Other scholars have also shown how macro-micro (or micro-macro) processes are often mediated by framing mechanisms (Gray et al., 2015), by institutionalized practices (Jarzabkowski et al., 2013; Smets et al., 2012), or by local interactions (Hallett & Ventresca, 2006). This research links with early institutional insights that suggested that field-level isomorphic processes were actually mediated by local field and organizational features such as supply centralization, technological uncertainty, or professionalization (DiMaggio & Powell, 1983; Washington & Ventresca, 2004), and calls for focusing on the extension of “our understanding of institutional processes as they mediate between the firm and the natural environment” (Hoffman, 2001, p. 134).

Rethinking intermediation. Chapter 5 showed that an important contribution from my empirical findings is that they lead to rethinking current theories of intermediation. Different traditions often think about intermediaries only in economic or network terms, emphasizing their market-making and brokering roles respectively (Gould & Fernandez, 1989; Spulber, 1996). Instead, the institutional perspective on intermediation embeds transaction costs and network structures in the wider cultural-institutional environment.

On the one hand, the information asymmetries and economies of scale that favor the appearance of the intermediary function (Williamson, 1981) are seen as the result of certain rules and norms that are contextual and contested, rather than universal and conflict-free. For example, Zucker (1986) showed that the level of trust that enables certain transactions is the result of historical and cultural contingencies. On the other hand, connecting different parts of a network is not only a matter of building ties but also of constructing shared meanings, developing common norms, and enabling environments for collaborative interaction (Mair & Hehenberger, 2014; Weber et al., 2008).

Therefore, presenting intermediation as a systemic function that includes building networks, building meanings, and building institutions contributes to acknowledging the centrality and the complexity of these processes in contexts of market formation. However, instead of presenting intermediaries as powerful ‘institutional entrepreneurs’ that envision and build the new systems, I treat intermediary organizations as the conduits through which broader processes (which are influenced by political dynamics, social movements, and historical legacies) take root. Moreover, this approach links together streams of research that highlighted different but related intermediation and market formation dynamics and paves the ground for future research in this area.

7.2.3 Building social finance markets

Throughout this thesis, social investment has been used as an empirical context from which we can extract learnings for theories of organizations and markets. Indeed, due to its exemplar characteristics – relatively early stage of development, the intersection of different sectors, the importance for policy makers and social sector organizations, and the contested nature of the space – it has been a fruitful setting for understanding the early

moments of market formation and, as shown in the previous sections, for contributing to theory development in those areas.

However, my in-depth study of the social investment market in the UK has also allowed me to contribute to the body of work that looks at markets at the intersection of *profit* and *purpose*. This type of market includes, for example, those associated with corporate social responsibility (Brès & Gond, 2014), fair trade (Nicholls, 2010a) microfinance (Sabin, 2016), socially responsible investment (Déjean et al., 2013), or bottom-of-the-pyramid markets (Seelos & Mair, 2007).

A specific case is that of financial markets where investors try to combine financial and social returns, and where the investees are organizations with a clear social mission. In the UK, this market has experienced significant development during the last 15 years, with an increase in public and private attention since 2010. Based on the rich data collected for this thesis, which includes following its latest news and events, specifically in the UK but also globally, for the last four years, I present below four key learnings that can help us understand the social construction of these markets, often characterized by the agreement over some common goals but also by the disagreement over the optimal means to achieve those goals.

A long term approach to market formation. Despite the urgency of some of the pressing problems of our time – extreme poverty, climate change, terrorism, inequality, etc. –, the time frame for social innovation is inevitably long. These are “wicked” problems (Dorado & Ventresca, 2013) or “grand challenges” (Ferraro et al., 2015), which are often characterized by being complex, ambiguous, and multifaceted. Building new markets, whether they are ‘social’ or not, usually takes a few decades rather than a few years (T. Hughes, 1983, 1987). First, because building those new systems requires

reassembling resources that are dispersed and disconnected (see Chapter 6). And second, because it often requires unbuilding incumbent systems. As Mair and colleagues (2012) showed for the case of building inclusive markets in Bangladesh, community organizations had to address traditional social, political, and religious systems that had been in place for a long time, rather than building the new markets in an institutional vacuum.

The different timeframe of political dynamics sometimes runs counter to the slow nature of these social innovation processes, as governments want to see ‘results’ within the 4 or 5 years of their tenure. Moreover, the hype that too often goes together with the rise of these innovations makes people see them as ‘silver bullets’ rather than complementary tools for addressing complex and multifaceted challenges. The same as microfinance seemed the final solution for ending poverty in developing countries (Bradley, McMullen, Artz, & Simiyu, 2012), social investment seemed by some accounts the antidote for all the problems of the social sector in the UK. Because it is difficult to accomplish such goals in short periods of time, it is easy that hype turns into frustration and opposition. For this reason, it is worth reinforcing the idea that social finance markets are long-term tools for achieving systemic social change.

The complex nature of these problems also means that the potential solution will probably not be a simple one. Therefore, intense experimentation and innovation activity will be necessary to understand causal mechanisms, the working of large systems, and the eventual opposition by different actors to the desired changes. This experimentation is common in the early stages of market formation (Utterback & Abernathy, 1975), and it is partly cause and consequence of the ambiguity around product definitions and rules of the game that is present in those early moments. Once most of the ambiguity is resolved and the new market coalesces around a dominant design, innovation turns to be more

incremental than radical, and hence the exploration of novel solutions can be lost (Suárez & Utterback, 1995). Therefore, it seems worth to see ambiguity not as something that needs to be resolved early on, but rather as a driver of experimentation and innovation dynamics that are much needed when addressing complex social problems.

The long-term nature of the construction of new markets also means that the process will be contested at different points. However, contestation in social finance markets seems to have a different flavor. On the one hand, actors – which can sometimes be divided into incumbents and challengers, although these categories are less clear in the early stages of market formation – will enact different worldviews that might clash regarding certain assumptions about the world, the appropriateness of the tools at hand, or the mechanisms for decision making and conflict resolution. On the other hand, however, it is probable that most of these actors engage with the market because they believe in the idea of using business tools for the common good. In fact, many of them would arguably be better-off (in terms of maximizing their profits or rents) if engaging in other activities. Through my longitudinal analysis of the social investment market in the UK, I have contributed to our understanding of these tensions by framing them as *collaborative contestation*, which is enabled by the receptivity of mainstream organizations (instead of hard defense of the status quo), the sympathy of the critics (instead of outright defiance), and the joint efforts to find solutions to the new challenges (instead of divided factions).

The role of government. A second topic to which my research has contributed is to re-engaging with the role of governments in the social construction of these markets at the intersection of the financial and social sectors. A first look at the data on capital supply, research, building of market infrastructure, and pioneering new initiatives in social investment shows the importance of the UK government in spearheading and scaling this market. Indeed, its commitment during the last 15 years – and more intensely, the last 5-

6 years – has been a key factor in the growth of social investment deals, intermediary organizations, and general awareness of the market. Without entering into the motivations or political agendas behind the government’s interest in promoting social investment, the reality is that its role as *market champion* has been recognized by every actor in the field: “Big Society Capital, there are lots of things that have been frustrating and wrong with it, but undoubtedly it had the effect that they wanted it to have, which was to stimulate the market” (Interviewee #14, SIFI).

However, this strong position of the government carries the danger that we have seen in the previous point: that top-down efforts to end ambiguity around product definitions and legitimate strategies weaken the experimentation and innovation that is present – and valuable – in the early stages of market formation. Therefore, striking a balance between the conflicting needs of promoting innovation and focusing awareness is an important but difficult role for the government.

Another danger is precisely the commitment that governments can have with the success of a specific market, because at some point politicians might be more interested in building a social finance market as a goal in and of itself instead of assessing whether there is a real need for it, or whether the proposed design is the most appropriate for the objectives they once had in mind. As some of the critics have said: “Even if the Big Society Capital model of investment works, it’s going to end up being relevant to a very small range of organizations (...) So all this infrastructure stuff has been growing fast. I think what hasn’t necessarily been growing quite as fast is actual demand for the money from organizations” (Interviewee #24, Social Enterprise). The solution is probably that the government commits to the social need in itself (e.g. providing alternative finance to social sector organizations) and is open to different solutions, instead of putting all the

efforts and endorsement towards one specific policy or market design before it is proven that it actually works as expected.

Finally, it is often the case that government interventions respond to the political agendas of certain parties. In the case of social investment in the UK, despite some of the language (e.g. *Big Society Capital*) has been associated with the Coalition Government and specifically Prime Minister David Cameron, the truth is that it was the Labour Government that started the efforts towards promoting social investment in the early 2000s. This bipartisan nature of the government's involvement helps market actors plan ahead and predict certain long-term stability, without worrying that the following administration will dismantle the infrastructure built by the previous government. Despite the obvious nuances that new policy makers will bring to these markets, long-term stability is crucial for attracting investors, allowing the growth of intermediaries, and building general awareness and confidence.

Intermediation processes. Third, if we have seen that intermediation is important in market formation processes, it is arguably even more so in the construction of social finance and other related markets. Because of their idiosyncratic features (leveraging business or financial practices for the common good), these markets are located at the intersection of different sectors that often follow contradictory logics (Thornton et al., 2012). For social investment and other similar markets to flourish, organizations need to reconcile – either inside their own organizational structures or in their relations with other market actors – financial profits with social impact, shareholder-centric views with multi-stakeholder approaches, short-term with long-term horizons, or self-interest with cooperation. Under such circumstances, the existence of organizations and individuals that are able to speak both languages and bridge across seemingly disparate worlds is necessary for having fluid exchanges.

Moreover, this location at the boundaries of other fields implies that social finance markets need certain infrastructure to be built because it is often not readily available. For example, social investment markets need the presence of impact measurement frameworks, platforms for the exchange of bonds and shares, specific legislation, etc. and, as we have seen in Chapter 5, intermediation mechanisms play a central role in such market formation processes. Therefore, even if there are always a small number of organizations that are considered market champions, *system-building* processes are actually much more distributed and intermediary organizations enable such processes to be built at the same time from the top down and from the bottom up.

Replicating social finance markets. Finally, my attention to the global scene around social and impact investing practices, together with the accumulated wisdom from the institutional and economic sociology traditions, has given me some insight as to how social finance markets can be replicated in different countries. The UK has been a pioneer in many of the practices associated with social investment (the establishment of a wholesaler investment bank, the development of social impact bonds, having a specific legal form for social enterprises, designing a distinct stock exchange for social enterprises, etc.), and other countries such as Canada, Australia, or Portugal have mirrored some of these initiatives in their own policies. This was evident when looking at the attendees of field events such as the Good Deals conference, where many participants came from other countries with the intention of learning about the social investment market was being built in the UK (Field notes, 20/10/2015).

However, it is important to note that the institutional conditions can be very different from one country to another. These markets are intrinsically related to the social sector, the financial markets, government commissioning, or philanthropic activities, and each of these can take a very particular shape in a specific country. For this reason, it would be

wise to take into consideration two basic points before replicating certain practices internationally. First, that it is important to have a deep understanding of how such practices have worked in the country of origin, and this implies going beyond what might seem a very successful initiative on the surface but which has carried out active contestation at different levels. And second, that even successful policies need to be adapted to the institutional conditions of the recipient country (Kostova, 1999; Nasra & Dacin, 2010), where maybe the resources or the legacies of prior institutions are different (Raynard et al., 2013) and need to be reassembled in different ways.

7.3 Future Research

7.3.1 Introduction

Market formation has been a topic of great interest for economic sociologists for a long time, with lively current debates and competing arguments. Research on the sociology of markets (Fligstein, 2001b; Granovetter, 1985; White, 1981) has been key to understand markets not as the idealized assumptions of neoclassical economics but as the *dirty*, more complex, socially constructed spaces that we find in real life (Beckert, 2009; Biggart & Delbridge, 2004; Hirsch et al., 1987; Munir, 2005). Available arguments have been developed in the last few decades and highlight three well-developed streams on markets as politics, markets from culture and the network origins of markets (Fligstein, 1996; Fourcade, 2007; Padgett & Powell, 2012a; Santos & Eisenhardt, 2009; Thornton, 2004).

As we have seen through the thesis, insights from this literature can help us understand the development of the social investment market in the UK. But apart from that, a close observation of how the social investment space has been framed and constructed can grant

us further learnings about how markets are formed more generally. This is because of the particularities of this sector: from the one hand, it is an ‘extreme case’ of market formation in a complex context, due to the interaction of different sectors and conflicting institutional logics (Nicholls, 2010b); from the other hand, it can be representative of other incumbent value chains where business and financial practices are being challenged by external actors advocating institutional alternatives, such as crowdfunding, social entrepreneurship, or microfinance. I use these particular features of the UK social investment market dynamics to develop more general arguments for a research agenda. I develop these insights in more detail in related work (Casasnovas & Ventresca, 2016).

As with other nascent markets, the challenge is that the same features that make the social investment space an interesting research context – ambiguity, unsettled boundaries, contestation – also make it more difficult to study with standard tools and theories. Or, in other words, we cannot study it as already an industry with its clearly defined actors, relations, and institutions and with a well-structured market. Instead, the preferred stance is to take an exploratory approach and look at how organizations cross the boundaries of adjacent fields, how actors struggle to dominate critical activities, who defines the rules of the game and how this occurs, and how plural discourses about value, market actors, and purpose conflict, align, and persist in tension over time.

With this research, I re-animate the now standard concerns of economic sociology approaches with an ‘organization-rich’ focus, one that borrows from organization and institutional theory to specify a research agenda that can leverage the features of the social investment context. Specifically, I develop six themes relevant for understanding the development of social investment markets (integrating across the prior chapters) and make use of them to discuss how to reframe and move theories of market formation

forward. I conclude with a general discussion to re-vitalize the sociology of markets with this organization-rich approach.

During my thorough exploration of the social investment market, I have been constantly iterating between the data collected and the claims from theories of market formation, innovation, organizations, and institutions. Based on this work, I have identified six themes that arise as central to understand the development of social investment in the UK and which directly address my dual purpose: leveraging existing market formation theories to make sense of the social investment space, and extract learnings from this context to enhance existing theoretical frameworks. In the following section I describe each of these themes, which are summarized in Table 7.1.

Table 7.1: Summary of main learnings and insights for future research

Theme	Learnings from economic sociology	Insights for future research
Ambiguity and Innovation in Nascent Markets	Early stages of market formation are full of ambiguity, experimentation, and contestation. These generative and innovative periods then lead to temporary settlements, which may redraw future boundary struggles.	The processes from market emergence to (provisional) stabilities are not singular or linear; I propose a focus on the changing configurations of ambiguities, context, and actors by looking at how networks, meanings, and institutions are built.
Discourse and Logics	Early or pre-market discourses typically engage different institutional logics that contend over the features of basic market elements such as actors, boundaries, governance, or valuation strategies.	Discourses in these early moments reflect and also refract myriad local ambiguities in all basic market elements, and provide a way to link empirical actors and frames to efforts to settle this complexity at multiple levels.
Role of the State	State actors are complex organizational actors that play diverse roles in early markets, most visibly as regulators but also across many value-creating activities.	Too often we study ‘states’ only in terms of regulatory impact. There is a need to study the knowledge regimes that structure mechanisms and provide content for policy making, as well as the effects of different government interventions such as legislation, taxation, or direct investment, and toward purposes that include capacity-building, authorization, and value theorizing.
Intermediation in Nascent Markets	Intermediaries can play critical roles in processes of valuation and shaping market boundaries, distinct from the conventional roles of market intermediaries.	Intermediary organizations play an important role in converting the ambiguity of early moments into stable networks, routines, and the cultural and institutional elements that support new market assembly and definition.
System-building Strategies	Some public and private actors play especially consequential roles in bringing together the networks, meanings, resources, norms, and practices of which large systems are formed. These can have intended and unintended consequences.	Studying system-building processes and organizational actors alerts us to the range of available strategies, legacy systems, and alternatives ‘unbuilt’ or closed down, and the longer-term nature of their work.
Markets from Interstitial Spaces	Interstitial spaces are especially fertile grounds for processes of market emergence and innovation.	Origins of actors and resources involved in early market formation processes provide cues about market development over time.

7.3.2 Ambiguity and Innovation in Nascent Markets

The intention of achieving a social mission through business-like or financially sustainable means is not new (Sepulveda, 2014), nor is the idea of investing with a specific social motivation (Nicholls, 2010b). There is, however, evidence that activity and discourse around social investment in the UK has increased and changed in focus and intensity since the turn of the millennium (Nicholls, 2010b; Sepulveda, 2014). My findings suggest that this period of experimentation, which paves the way for building a robust social investment market, is on-going without many signs that experimentation is reduced.

We see experimentation in financial products, in business models, and in policy. Experimentation takes place in the different financial products employed by social investment organizations. Social Finance, for example, pioneered the work on social impact bonds; platforms like Ethex or the Social Stock Exchange believe in the power of public stock markets; Bridges Ventures and other social investment fund managers directly apply private equity tools; Charity Bank and Triodos Bank operate as traditional retail banks with a social mission; ClearlySo promotes the role of angel investors, and so on.

Partially derived from the innovation in social investment products, there is the experimentation with new business models. We find platforms that connect conscious retail investors with stock markets, fund managers leveraging money both from grants and from commercial origins, foundations using part of their endowment for social investment, or the government setting different funds and organizations to build capacity and market infrastructure. Connected to this last point, we see experimentation in policy-

making with different regulations and more or less direct government action in the social investment market during the last 15 years.

Ambiguity is most evident in the wealth of terms, definitions, and understanding around what social investment is and is not. First, people speak about social investment, social finance, impact investment, community finance, responsible investment, builder capital, positive investment, as well as different combinations of them, when referring to the market where money is exchanged with the promise of delivering both financial returns and social impact. The variety of words captures distinct communities, strategies and conceptions of purpose and control. This ambiguity is reinforced because some organizations are active in different market niches, and also because the role of the government in promoting the market is sometimes seen as an effort to strengthen the social sector but sometimes as having other political agendas.

Contestation is also present in the social investment space, over rules of the game, alternative pathways and forms, and strategies. The UK social investment market is full with many diverse institutional, organizational, and individual actors; these actors take various positions with regard to emerging conventions and social investment approaches that are becoming mainstream. Some actors propose and keep alive different alternatives and there is not settled agreement on the features, forms, and focus of the different actors and market segments. Most of the critiques are targeted at the government and some of its interventions, like the way in which the substantial resources from Big Society Capital are being channelled into the sector. Other examples of contestation refer to different approaches in the social investment market, mostly between those who support the idea of targeting “market-level” financial returns and those who think that that is not compatible with a model that works well for social sector organizations.

Another important finding is the persistence of substantial diversity in key forms, features, and processes, even after the dominant order that resulted after the founding of Big Society Capital and other government interventions. The reality is that experimentation, ambiguity, and contestation still abound. If we take a look at recent developments in the field, we see that many features are not yet settled. For example, as recently as November 2014, different actors from the social enterprise, social investment, non-profit, and academic sectors set up the Alternative Commission on Social Investment “to investigate what’s wrong with the UK social investment market and to make practical suggestions for how the market can be made more accessible and relevant to a wider range of charities, social enterprises and citizens working to bring about positive social change” (“The Alternative Commission on Social Investment,” 2015). Other signs of experimentation and ambiguity are the new platforms, such as Impact Investor, that are being launched to tap into the retail investor market; the recent changes in the delivery of the Investment and Contract Readiness Fund; the general sense that there are still many different views as to what social investment is; or the fact that new regulations are still in their infancy – it was not until November 2014 that the first investor benefited from the Social Investment Tax Relief.

I have portrayed the UK social investment space as a *nascent market*, full of experimentation, ambiguity, and contestation. Similarly, Santos and Eisenhardt (2009, p. 644), defined nascent markets as “business environments in an early stage of formation”, characterized by an undefined industry structure, unclear product definitions, and lack of a dominant logic. Given that these characteristics are still present in the social investment market fifteen years after its first steps in the early 2000s, one conclusion is that it takes time for markets to become established and have a dominant design (Utterback & Abernathy, 1975), especially when the ‘technology’ in place is not a technical feature but

a set of meanings, values, resources, and tools that can be combined in multiple ways. Insights from the literature on the technology life cycle (Tushman & Anderson, 1986; Utterback & Abernathy, 1975) and the early moments of new industries (Geroski, 2003) prompt us to look at processes of market formation as going from ‘ferment’ to ‘dominant design’, similar to takings from economic sociology and research on organizational fields that talk about ‘emergence’ or ‘variation’ on one side and ‘settlement’ or ‘stability’ on the other (Fligstein & McAdam, 2012; Padgett & Powell, 2012a). These perspectives remind us that experimentation, either in the form of new products, or new entries and exits of organizations, or new policies, or new tools, usually takes place for relatively long periods of time until the market reaches a certain necessary level of agreement and efficiency that allows for scaling and maturing.

Mapping this imagery onto the social investment market, we can specify paths to market development and variation in strategies in this period of ferment, one that is still full of financial, organizational, and political innovation. From the point of view of innovation, such variety is positive, while the push from certain actors to standardize the tools and definitions of the market can be in detriment for fertile innovative activity. If the goal is instead to promote a specific understanding of what social investment is or should be, then establishing the necessary institutions and path-dependencies might ensure the viability of that perspective as the ‘dominant design’, a well-understood anchor for market building.

These developments in the UK social investment market can help us raise some questions that arise when forcing a dialogue between the literature on new technologies and innovation economics and research on the formation of new markets and fields. A relevant one is about whether the rise of a dominant order (driven by the state or other actors) reduces the ambiguity of the market and hence takes it to a period of settlement

and stabilization (DiMaggio & Powell, 1983; Stinchcombe, 2001). We might expect different outcomes (in terms of speed, resilience, legitimacy, and opposition) depending on whether the efforts to resolve ambiguity are top-down or bottom-up, as well as on whether it is a market with a strong component of technological innovation, an emphasis on social norms, a salient role of the governmental, etc. Another set of questions would be around how to encourage sustained experimentation in a certain market, both in terms of strategies by public and private actors, and regarding what organizations or constituencies benefit more or less from that continued innovation.

7.3.3 Discourse and Logics

If we look at some of the reports published in the early 2000s and compare them to more recent documents, the market appears to have experienced a change in focus. For example, the reports from the Social Investment Task Force (in 2000, 2003, and 2005) were labelled “Enterprising Communities. Wealth Beyond Welfare”; the first fund financed by the government (in 2001) was called Community Development Venture Fund, and it was managed by then-called Bridges Community Ventures; and a report from the Bank of England was about the financing needs of social enterprises (Bank of England, 2003). On the contrary, if we look at current documents, we see titles such as “Growing the Social Investment Market” (Cabinet Office UK, 2011, City of London, 2013), “The First Billion” (Boston Consulting Group, 2012), or “Investor Perspectives on Social Enterprise Financing” (ClearlySo, 2011).

This suggests that there has been a shift, at least in discourse, from a sector centered in the local communities and the needs of the social enterprises to pivoting around social investors and how they can achieve financial and social returns. For example, Big Society Capital has the mission of “growing the social investment market”, which seems to be

focused on the means (social investment as a sector) rather than on the ends (increasing social impact). This shift in the language – from social investment being a means to being an end in itself – is arguably the reflection of broader changes in the market (in legitimacy, in power imbalances, in resource allocation, in boundary struggles, etc.), and it may be the cause of the increased contestation against some practices or organizations in the last few years.

The shift has not only been around the meaning of the term social investment, but also the use of other similar terms. If early on one would hear more often the language of “community development”, after 2010 – and partly because of the influence of the United States (“The Americans didn’t want it to be called social investing” (Interviewee #28)) – the term “impact investment” has become more central in the discourse. As a social investment fund manager stated, when the investors are at the center, language is often different: “If I’m talking to an investor (...) the word ‘social’ doesn’t get the conversation started” (Interviewee #9). And, as one of the interviewees from a social investment platform said, even if they are similar concepts, “impact investing has more of a connotation around market rates of return” (Interviewee #16).

These struggles between different discourses links to recent trends of studying institutional logics and institutional complexity (Greenwood et al., 2011; Thornton et al., 2012), as one of its focus has been on how organizational fields experience a shift over time from one logic to another (Haveman & Rao, 1997; Reay & Hinings, 2005). In this sense, an important contribution to this type of research will be around the interplay among multiple logics in nascent markets or organizational fields. If institutional logics are understood as stable systems of meaning and practice, to what extent are they present in the early stages of development of a new field? Those early struggles over meaning

and power might be the consequence of product and service ambiguity and contestation, rather than the reflection of conflicts among broader institutional orders.

As we have seen, the exploration of archival material and current discourse developments suggest that the public discourse around social investment has shifted from being centered in the local communities and social enterprises to the concerns of the investors and the financial intermediaries. In this case, a longitudinal exploration of industry documents via topic modelling or network text analysis can help us identify changes in how the market is conceptualized. If we then can link that to generalized changes in practices, values, and strategies, we will be able to portray those logic struggles and investigate the origins of this logic shift.

Linking nascent markets, institutional logics, and discourse analysis opens important questions about how different actors influence (or try to influence) public discourse, whether institutional logics are identifiable in the early stages of market formation, what textual sources can be more accurate to study the evolution of public discourse over a period of time, or how logics ‘travel’ from adjacent sectors to the new markets in formation.

7.3.4 Role of the State

The case of social investment in the UK provides a paradigmatic example of a government that has committed considerable financial and organizational resources to drive the growth of the market. The government’s two main roles have been as a regulator and as a funder. As the former, it passed the Community Investment Tax Relief in 2002, the regulation for Community Interest Companies in 2004, the Dormant Bank and Building Society Accounts Act in 2008, the Social Investment Tax Relief in 2013, and other regulation involving public procurement like the Social Value Act or the Social

Outcomes Fund, both in 2012. As an investor, the government has financed social sector organizations through its own funds (e.g. Futurebuilders in 2004), through private funds (e.g. Bridges Ventures in 2002), and more recently through the establishment of an independent wholesaler fund – Big Society Capital in 2012.

However, the government has also acted as a convener and as an innovator. It has brought together social investment actors and consulted with them in many occasions, especially in the Social Investment Task Force that sparked the field in 2000 and the G-8 Social Impact Investing Task Force in 2013, which addressed the global challenges of the sector, was an opportunity to share best practices among different countries, and portrayed the UK as a leader in this space. In terms of innovation, the UK government has the credit for commissioning the first social impact bond in 2010 and expanding this financial instrument through the Department of Work and Pensions (DWP), the Department for Communities and Local Government (DCLG), and the Ministry of Justice (MoJ). Furthermore, the government is responsible for innovating with regulations that have been pioneering worldwide, such as the Community Interest Companies or the establishment of Big Society Capital.

The government can hence be labelled as a *market champion*, because of its interest in this market to grow and succeed. The reasons behind this interest can be diverse, and there are probably differences between the political agendas of the former Labour administration and the Coalition Government (between Conservatives and Liberal Democrats) that took over in 2010. However, the driving role of the government has been constant since the early 2000s, a position that becomes clear in the following statement from Prime Minister David Cameron in 2010:

“[We will] create a Big Society Bank to help finance social enterprises, charities and voluntary groups through intermediaries, [which will be] established using every penny of dormant bank and building society account money allocated to England”

This dominant stance of the government has gained some criticisms, as put by a social investment advisor: “One of the things that is going wrong in the social finance market in the UK is the issues being very heavily influenced by a government and the Cabinet Office” (Interviewee #22, Advisor). But its role in driving the market forward is hard to go unnoticed, as commented by another social investor regarding the government’s establishment of Big Society Capital: “Undoubtedly it had the effect that they wanted it to have, which was to stimulate the market” (Interviewee #14, SIFI)

Even though states are not homogenous entities but rather a collection of coalitions and interests (Skocpol, 1985), researchers have already shown that they can play an important role in determining the fate of markets and organizational fields (Fligstein, 1996). It is not infrequent that “state regulation of economic activities changes the balance of power in a market” (Fligstein, 1996, p. 664), and it is generally the role of governments to regulate the flow of resources, for example via taxation or direct investment, as they are responsible for designing, passing, and enforcing legislation. However, research has often focused on the state’s role as regulator, omitting its capacity to build markets by shaping its meanings, building the necessary networks, and developing other tools and skills.

Therefore, two main questions arise when investigating the dominant role of the UK government in the social investment context. First, about the mechanisms by which these interventions shape the market for social investment. We will need to take into account legitimacy, networks, risks, and resource dependencies in order to determine the effects of the policies over the organizational field. And second, about the origins of those government interventions. The role of interests, ideologies, social movements, and

translation of international practices are probably crucial to explain how ideas travel from different sectors to political discourse and then to specific policy regimes (Campbell, 2002). To study this we need to take a close look at the early days of social investment or other markets and analyze how different epistemic communities (the social sector, the private equity industry, socially responsible investors, community finance organizations, etc.) interacted, shared their ideas, and influenced the government. In this sense, it is also worth comparing different countries and analyzing how different origins have resulted in different policy regimes (Campbell & Pedersen, 2014).

With this focus on the role of the state in the formation of new markets, we can ask questions about what organizations or communities influence the government in its understanding of a nascent market and the regulation needed, the effects of the different kinds of government interventions (legislation, direct investment, founding of agencies, endorsement, etc.) on the processes of market formation, the extent to which the pace of market formation is dependent on those different interventions, or the influence of similar policies in other countries.

7.3.5 Intermediation in Nascent Markets

One of the mantras of the social investment sector in the last few years has been the need to build a range of intermediary organizations that would enable the growth of the market. These include the so-called SIFIs (social investment financial intermediaries), but also brokers, platforms, incubators and accelerators, or trade associations. They are all organizations involved in matching, channeling, or aggregating financial and organizational resources in the social investment space. Apart from investors, investees, and regulators, we can consider most of the other organizations in the market as mediating between those three sets of actors. Social investment fund managers like Bridges

Ventures, Big Issue Invest, or Resonance are raising capital from public and private institutions and invest it in social enterprises or other social purpose organizations; ClearlySo or Social Finance UK help frontline organizations raise funding from their networks of business angels and other investors; CDFA or the Social Investment Forum bring actors together to learn from each other and plan their collective action; and Ethex or the Social Stock Exchange provide platforms to find investment opportunities.

Recent industry reports have highlighted the importance of these organizations (Shanmugalingam et al., 2011), some of which “are leading the way in product innovation” (City of London, 2013, p. 6). This has certainly been the Government’s strategy, as they often state that they “want to see new social finance intermediaries enter the market” (Cabinet Office UK, 2011, p. 8) and they have promoted that by specifying Big Society Capital’s role as financing intermediary organizations. But what is the role of these intermediaries?

On the one hand, they have a cultural influence by shaping the language, the meanings, and the information of the market. They drive the language used in the field by naming themselves according to different connotations around social investment (for example Social Finance UK, Social Investment Business Group, Impact Investor, Community Development Finance Association, Social Investment Forum) and by pushing for specific definitions or practices, as stated by an interviewee from a social investment platform: “What I was trying to do is (..) to say that responsible investing is investing in listed social impact businesses” (Interviewee #17). They also produce and disseminate information, like the reports published by many of these intermediaries, the annual surveys from the Community Development Finance Association, or the extensive information provided by Big Society Capital in its website. All this information is very important to set the track

records, standards, and best practices that will have much influence in other market actors, especially in the early stages of market development.

On the other hand, they influence the formal and informal institutions of the market by lobbying for certain regulations and coming with new tools and practices. Many of these intermediaries were members of the G-8 Social Impact Investment Task Force, hence having a say in what is the state of the market and where should it head to, and they were also consulted by the government before passing different regulations. A senior executive from a social investment fund even mentioned that “one of us is in the Cabinet Office every week” (Interviewee #8). Another social investment broker described their advisory role with the government in the following terms:

“Initially our government advisory work was mainly around social impact bonds and helping them to understand and think through where they could create kind of social value (...) we’ve been asked to undertake an increasing amount of kind of advisory work more broadly” (Interviewee #12).

Their influence in more informal institutions such as the metrics or financial instruments used has also been important, because of their capacity to innovate and to bridge between investors and investees.

Economic theories have traditionally focused on intermediaries as decreasing transaction costs and hence increasing the efficiency of financial markets (Allen & Santomero, 1998; Gurley & Shaw, 1960). From this perspective, their main task is to reduce information asymmetries, build trust between the seller and the buyer, and create economies of scale (Yanelle, 1989; Zucker, 1986). Network theories complement this perspective by taking into consideration the broader networks in which financial transactions (and economic action more generally) are embedded in sets of individual and organizational relations (Granovetter, 1985). In this sense, intermediaries’ role is seen as connecting different

nodes and networks, often by bridging structural holes, and therefore providing valuable resources and information to the connected parties (Burt, 1992; Fernandez & Gould, 1994).

However, what we see in the social investment market in the UK is that intermediary organizations perform an important role that goes beyond reducing transaction costs or leveraging their structural position. We see that these organizations are also promoting certain metrics and standards; they are lobbying for specific regulation; they are developing the discourses that dominate the sector; they are innovating with new financial instruments; they are, in the end, building the market by shaping its boundaries and its main features and conventions. Through their interactions with the other organizations in the field, they are a vital set of actors in the formation and development of its institutions.

This perspective links with organization theory scholars that have looked at the role of certain organizations in shaping and building markets: how technology entrepreneurs claim, demarcate, and control their markets (Santos & Eisenhardt, 2009), how market information regimes constrain or expand available categories (Anand & Peterson, 2000), how rankings define what is valued in a certain market (Espeland & Sauder, 2007), how trade associations enable cohesion through field-level events (Mair & Hehenberger, 2014), or how NGOs can redefine market architecture and legitimate market actors (Mair et al., 2012).

This perspective on cultural and institutional intermediation helps us put emphasis on important processes such as how the patterns of innovation are affected by the degree of intermediation, how the role of intermediaries change across the different stages of market formation, whether highly mediated markets develop faster or slower than other markets, or to what extent can intermediaries buffer or reinforce institutional pressures.

7.3.6 System-building strategies

If we look at the social investment space in the UK in the last few years, Big Society Capital (BSC) stands out as a major player. The first seed for its creation was planted during the Social Investment Task Force that took place in 2000: The task force concluded that more funding needed to be channeled to the social sector with the government playing a central role. However, it was not until the Commission on Unclaimed Assets in 2007 that the talks about a ‘social investment bank’ became more widespread. The recommendation of that commission – the creation of a “*wholesaler of capital* working through existing and new financial intermediaries” (Commission on Unclaimed Assets, 2007) – was taken by the government through the Dormant Bank and Building Society Accounts Act in 2008, and finally Big Society Capital started its operations as an independent organization in 2012. Its £600 million of funding come from those dormant bank accounts (£400m) and from the major UK banks (£200m).

BSC’s mission, as identified in their corporate website, is “to help grow the social investment market” (“Big Society Capital,” 2016a), both as an investor – supporting social finance intermediaries – and as a market champion – increasing awareness, promoting best practices, and sharing information. BSC has invested in many of the main social investment funds of the sector, including funds from Bridges Ventures, Big Issue Invest, Resonance, FSE Group, Social Investment Scotland, and Nesta Impact Investments, among others. It has also invested in crowdfunding platforms, in the Social Stock Exchange, or in developing the charity bond market via Investing for Good. As a market champion, it has established a Social Investment Research Council with other organizations, it has helped the government think about the most appropriate regulations for the market, it has developed a matrix for impact measurement that is being used by many actors in the sector, and it is always present in social investment events.

This activity has brought much praise, and also some criticism. As BSC's CEO Nick O'Donohoe wrote recently, "The good news [of being such a central organization] is, you get all of the attention. The bad news is, you get all of the attention." (O'Donohoe, 2015). Detractors say that BSC was designed with too many constraints, which limit their ability to address the needs of the social sector. As an interviewee from a trade association put it, "I have quite a lot of sympathy with Big Society Capital, it kind of has its hands tied behind its back, in the way that it's structured" (Interviewee #28). It is true that its funding has been slow in reaching frontline organizations, and that many of them need smaller amounts at cheaper interest rates compared to what BSC is able to offer. Despite these shortcomings, it seems clear that since 2012 Big Society Capital has played a main role in building the social investment ecosystem and defining what it looks like.

Although it is not rare to find this kind of system-building actor in other markets or fields (Mair et al., 2012; Morgan, 2008), BSC has certain characteristics – vast resources and close connections to the financial, public, and social sectors – that make it specially capable of doing it. Building systems is usually a collective effort, but some individuals and organizations can play especial roles (T. Hughes, 1983) at different points in time. Sometimes researchers have highlighted the purposeful action of these actors in building new institutions, and have labelled them as institutional entrepreneurs (Battilana et al., 2009; Maguire et al., 2004). However, the concept of *system building* puts more emphasis on the coordination among the loosely coupled components of those emerging systems, which need different resources and leaderships at different stages (T. Hughes, 1983, 1987).

By studying how these market-building efforts have taken place in the social investment space, we can learn about the different strategies available for governments and other actors when they want to stimulate the creation or development of a certain market.

Looking at the Big Society Capital's experience, some of the issues to take into account are the flexibility of the organization, resources according to the size and stage of the market, strong ties to different sectors, wide political legitimacy (not seen as the project of one party), leveraging resources from other organizations, and the different forms of capital needed – not only financial but also social, human, cultural, and political.

The essence of an ecosystem is the connections among actors, but also its shared meanings, resources, norms, and practices. They are usually the result of different organizations pushing at once in different directions, especially in its early stages, but there are often some actors that play a special role in making the system coalesce. The case of the UK social investment market prompts us to think about whether different types of organizations (public vs private, big vs small, new vs old) build systems in different ways, the range of available strategies for system building, the nature of these systems builders (individuals, organizations, groups of organizations), and to what extent some parts of the system need to be in place before other parts are built.

7.3.7 Markets from Interstitial Spaces

The UK social investment market is an exemplar case of a market born at the intersection of three different sectors, in this case the social sector, the public sector, and the financial sector. Furthermore, we see organizations actively bringing in different kinds of resources – financial, social, human, and cultural capital – in order to build a new market.

For example, the Social Stock Exchange, a platform offering impact investment opportunities to investors, has attracted financial capital from the public sector through Big Society Capital and from the social sector from Panahpur Foundation's Venture Fund and the Joseph Rowntree Charitable Trust. Whilst these funds have been used to cover the operations at the Social Stock Exchange, the CDFA (Community Development

Finance Association) has brought investment from different sources in order to distribute it to social enterprises and financially excluded individuals and organizations. They are managing a fund fueled by £30 million from the UK Government's Regional Growth Fund and £30 million from two social banks. Similarly, the social investment fund manager Resonance has received funding from social sector agencies such as Esmée Fairbairn Foundation – and from the public sector through Big Society Capital and Nesta, organizations acting 'at arm's length' from the government. Interestingly, Resonance also taps different sources of capital (individuals, foundations, public authorities) for the funds that they manage, which are focused on affordable housing in the UK.

Other organizations that have sourced financial capital from different sectors are Bridges Ventures (government, private investors, and foundations), Social Finance's first social impact bond (17 different investors from different backgrounds), Big Society Capital (government and commercial banks), FSE Group (government and foundations), Investing for Good (government and foundations), or Nesta Impact Investments (government and social investors).

However, a market needs more than money to be developed. It needs actors making use of that funding, individuals with certain skills, regulation and norms of conduct, standards, relationships, information, and so on. As Bourdieu said, "it is in fact impossible to account for the structure and functioning of the social world unless one reintroduces capital in all its forms" (1986, p. 241). It is hence a worthy opportunity to learn about capital sources in diverse ways (financial, social, human, political) and in fact different forms of capital mix in a new field – to what impacts and how the origins of capital can influence the future development of the market.

One example is social capital, usually defined as “the goodwill available to individuals and groups” (Kwon and Adler, 2002, 2004) that comes from the benefits of bonding within a collective or bridging across networks. Intermediary organizations, because their activities lie at the intersection of different sectors and organizations, are especially suitable for bringing in social capital to a new market. For example, organizations like Resonance, ClearlySo, and Social Finance have their own networks of investors or business angels, to whom they present investment opportunities that are not available to the general public. Similarly, Bridges Ventures benefits from its close connections to the private equity and venture capital industries, while intermediaries like CAF Venturesome or Big Issue Invest have brought information and resources from the social sector thanks to the belonging of their parent organizations (CAF and Big Issue) to the world of charities.

Schumpeter (1934) said that entrepreneurship is about the recombination of existing resources to create new products and hence disrupting existing industries. This recombination activity, which is well acknowledged at the individual and organizational levels, can also take place in the birth of new markets and fields (Abernathy & Clark, 1985). As we know from the study of the early stages of market development, these nascent markets often borrow or are built from ideas and innovations in other adjacent fields (Clark, 1985).

The formation of a new market is hence a complex and multifaceted process. In the case of social investment, we have seen that organizations leverage different forms of capital from different sectors, so it is worth understanding the effects of this variety of resources in the subsequent features of the social investment market. Also analyzing whether the new activity is actually at the intersection of the different adjacent fields, or instead is

closer to one field that provides most of the material resources and legitimacy, will help us understand current boundaries and characteristics of the market.

Interstitial spaces (Furnari, 2014) are especially fertile grounds for innovation (Hargadon & Sutton, 1997), and therefore it is not surprising that they see the birth of new markets. Early activity in these contexts (in terms of the actors and resources involved) can explain much of the future field development, so it is good to raise questions around the origin of resources (financial, human, social, cultural) in the early days of new markets, the influence of adjacent sectors in setting the standards of the new field, the characteristics of the different kinds of interstitial spaces (discursive, physical, relational, organizational, etc.), or what kinds of actors thrive in these interstitial spaces and which ones find more difficulties for survival or success.

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Appendixes

Appendix A: List of industry reports

Table A: List of industry reports on the UK social investment market (2000-2015) included in the analysis

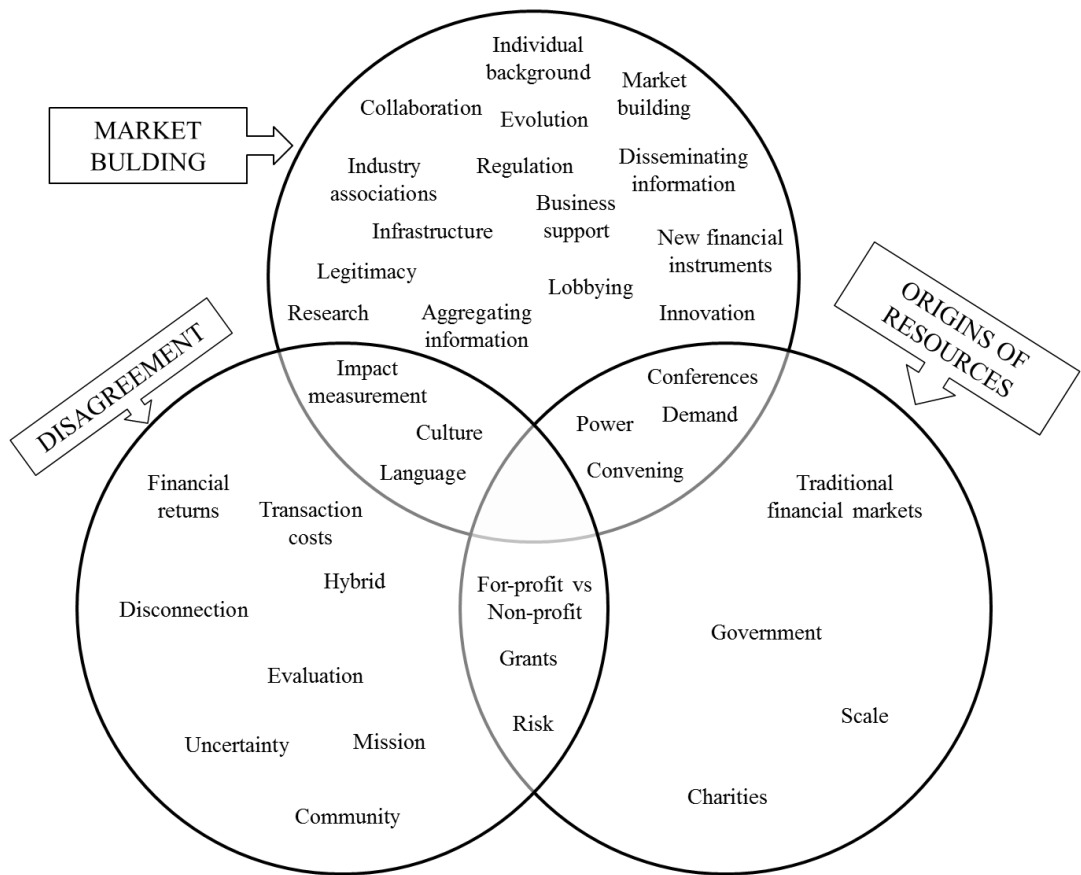
#	Year	Title	Institution
1	2000	Enterprising Communities: Wealth beyond Welfare 1	Social Investment Task Force
2	2003	Enterprising Communities: Wealth beyond Welfare 2	Social Investment Task Force
3	2003	The Financing of Social Enterprises	Bank of England
4	2004	SROI: Valuing what matters	New Economics Foundation
5	2004	Equity-like capital for social ventures	Bridges Ventures
6	2004	Promoting Financial Inclusion	HM Treasury
7	2005	Enterprising Communities: Wealth beyond Welfare 3	Social Investment Task Force
8	2006	Developing a Social Equity Capital Market	New Economics Foundation
9	2006	Venture Philanthropy	Skoll Centre for Social Entrepreneurship
10	2006	A Social Investment Bank	Commission on Unclaimed Assets
11	2007	Beyond the Cheque	Skoll Centre for Social Entrepreneurship
12	2007	Blended Value Investing	Skoll Centre for Social Entrepreneurship
13	2007	Creating an Ethical Stock Exchange	Skoll Centre for Social Entrepreneurship
14	2007	From Fragmentation to Function	Skoll Centre for Social Entrepreneurship
15	2007	The Social Investment Bank	Commission on Unclaimed Assets
16	2007	Financial Inclusion: The way forward	HM Treasury
17	2007	The Venturesome Model	Charities Aid Foundation
18	2008	Financing Civil Society	Charities Aid Foundation
19	2008	The Landscape of Social Investment	Skoll Centre for Social Entrepreneurship
20	2008	Mission Possible	New Economics Foundation
21	2008	Social Investment for Community Development	New Economics Foundation
22	2008	Evaluation of the Futurebuilders Scotland Funding Programme	Scottish Government
23	2009	Access to Capital, A briefing paper	Charities Aid Foundation
24	2009	The Social Investment Almanack	Good Deals
25	2010	Financing the Big Society	Charities Aid Foundation
26	2010	Investing for Impact, Case Studies	Bridges Ventures
27	2010	Investing in Social Enterprise: the role of tax incentives	NESTA
28	2010	Social Investment Ten Years On	Social Investment Task Force
29	2010	The Landscape of Social Investment in the UK	Third Sector Research Centre
30	2010	Towards a new Social Economy	Social Finance
31	2011	Best to Borrow? A charity guide to Social Investment	New Philanthropy Capital

#	Year	Title	Institution
32	2011	Growing Interest? Mapping the market for social finance in the youth sector	Young Foundation
33	2011	Growing Social Ventures	Young Foundation, NESTA
34	2011	Growing the Social Investment Market: A vision and strategy	HM Government
35	2011	Inside Community Finance	CDFA
36	2011	Investing for the Good of Society	NESTA
37	2011	Investor Perspectives on Social Enterprise Financing	ClearlySo
38	2011	Just Finance	CDFA
39	2011	Lighting the Touchpaper: Growing the Market for Social Investment in England	Boston Consulting Group, Young Foundation
40	2011	Making Good in Social Impact Investment	The Social Investment Business
41	2011	The Impact Investor's Handbook: Lessons from the world of Microfinance	Charities Aid Foundation
42	2011	Twenty Catalytic Investments to grow the social investment market	NESTA, Panahpur, UnLtd
43	2011	Understanding the demand for and the supply of Social Finance	NESTA, New Philanthropy Capital
44	2011	Financing Social Enterprises in the UK	The Social Investment Consultancy
45	2012	A brief Handbook on Social Investment	City of London
46	2012	A new tool for Scaling Impact	Social Finance
47	2012	Advising clients on Social Investment and deciding on Suitability	Big Society Capital, BWB, Worthstone
48	2012	Big Society Capital: Mission, Vision, and Activities	Big Society Capital
49	2012	Financial Planners as Catalysts for Social Investment	NESTA, Worthstone
50	2012	Financing Social Impact	Social Innovation Europe
51	2012	Investing in Social Franchising	International Centre for Social Franchising
52	2012	Investment Readiness in the UK	ClearlySo, New Philanthropy Capital
53	2012	Start-up and Growth: National Evaluation of the Social Enterprise Investment Fund (SEIF)	Third Sector Research Centre
54	2012	The First Billion: A Forecast of Social Investment Demand	Boston Consulting Group, Big Society Capital
55	2012	The Power of Advice in the UK Sustainable and Impact Investment Market	Bridges Ventures
56	2012	The UK Social Investment Market: The Current Landscape and a Framework for Investor Decision Making	Cambridge Associates
57	2012	Social investment: an overview of the landscape for VCSEs in the youth sector	Social Enterprise UK
58	2013	Angels in the Architecture	Common Capital
59	2013	Bridges Ventures: 10 Year Report	Bridges Ventures

#	Year	Title	Institution
60	2013	Big Society Capital Annual Report 2012	Big Society Capital
61	2013	Co-mingling Social Investment Funds	Cabinet Office
62	2013	Can Social Finance meet Social Need?	Can Cook, Tomorrow's People
63	2013	Growing the Social Investment Market: Landscape and Economic Impact	City of London, Big Lottery Fund, Big Society Capital, HM Government
64	2013	Measuring Social Impact in Social Enterprise: The state of thought and practice in the UK	E3M
65	2013	Mind the Finance Gap	CDFA
66	2013	Positive Investing in the UK	Ethex
67	2013	Charities and Social Investment	Charity Commission
68	2013	Social Investment in Education	Young Foundation, Big Society Capital, Impetus-PEF
69	2013	Soft Finance, Hard Choices	Boston Consulting Group
70	2013	The future of investment: Impact investing	UKSIF
71	2013	The role of tax incentives in encouraging social investment	City of London, Big Society Capital
72	2014	Big Society Capital Annual Report 2013	Big Society Capital
73	2014	Big Society Capital Strategy	Big Society Capital
74	2014	Financial Inclusion and Social Investment	Big Society Capital
75	2014	Growing the Market for Charity Bonds	Big Society Capital
76	2014	Growing the Social Investment Market: Progress Update	HM Government
77	2014	Guide for the ambitious social entrepreneur	ClearlySo
78	2014	Health and Social Care and Social Investment	Big Society Capital
79	2014	Housing and Social Investment	Big Society Capital
80	2014	Long-Term Unemployment and Social Investment	Big Society Capital
81	2014	Ready, Willing and Able	Boston Consulting Group
82	2014	Returns Policy? What the next decade holds for social investment	Charities Aid Foundation
83	2014	Introduction to Social Impact Bonds and Early Intervention	Early Intervention Foundation
84	2014	Social Impact Bonds: Lessons Learned	Big Society Capital
85	2014	Building a social impact investment market: The UK experience	UK National Advisory Board to the Social Impact Investment Task Force
86	2014	Smart Money: Understanding the Impact of Social Investment	New Philanthropy Capital
87	2014	Social finance in the UK	Design Council
88	2014	Social Investment in Banks	EVPA
89	2014	New Specialist Sources of Capital for the Social Investment Market	Social Investment Research Council
90	2014	Winterbourne View & Social Investment	Resonance

Appendix B: Grouping of initial coding of interviews

Figure B: Venn diagram of natural language themes in the initial coding



Appendix C: Chronology of the UK social investment market

Table C: Detail of main events in the UK social investment market (2000-2015), with their *sector* of activity and their *similarity* with social investment as understood in 2015

Year	Event	Description	Sector ²⁵	Similarity ²⁶
2000	Social Investment Task Force	A task force chaired by Sir Ronald Cohen and with the participation of the government and other organizations from the social and financial sectors.	M	L
2001	UnLtd	UnLtd, born from the joint efforts of seven organizations supporting social entrepreneurs ²⁷ , is endowed with a £100m fund from the National Lottery.	M	M
2001	CAF Venturesome	The Charities Aid Foundation (CAF) establishes the Venturesome, a fund to support social enterprises through repayable finance.	S	M
2001	Social Investment Market Group	An informal group of social investors is set up, led by Venturesome.	S	M
2001	Ulster Community Investment Trust	A fund in Northern Ireland providing affordable loans and support to community organizations and social enterprises.	S	M
2002	Bridges Ventures	Then-called Bridges Community Ventures, founded with £20m from the UK government and £20m for private investors to support businesses in deprived areas.	M	L
2002	Charity Bank	Charity Bank is registered as both a charity and a bank, to provide financial services to the social sector.	M	H
2002	Impetus Trust	Impetus Trust (now Impetus-PEF) was founded to incorporate strategies and practices from venture capital to philanthropy.	F	L

²⁵ S = Social sector; F = Financial sector; P = Public sector; M = Multisector

²⁶ H = High similarity with mainstream view of social investment in 2015; M = Medium similarity; L = Low similarity

²⁷ The seven organizations were Ashoka, Changemakers, Community Action Network (CAN), Comic Relief, The Scarman Trust, SENSOCOT, and The School for Social Entrepreneurs.

2002	Community Investment Tax Relief	CITR is established to incentivize individual and institutional investments in Community Development Finance Institutions, following a recommendation from the SITF.	P	L
2002	Community Development Finance Association	The CDFA is founded as the industry association for Community Development Finance Institutions, following a recommendation from the SITF.	S	L
2004	Futurebuilders England	Public fund of £125m for lending to social enterprises in England.	P	M
2004	Community Interest Company (CIC)	Regulation for a new legal form for social enterprises (limitation of dividends and asset-lock).	P	M
2006	Commission on Unclaimed Assets	The Commission on Unclaimed Assets, chaired by Sir Ronald Cohen, publishes its first report.	M	H
2007	Bridges Ventures II	Bridges Ventures launches its Community Development Venture Capital Fund II, with £75m from private investors.	F	L
2007	Social Finance	The organization Social Finance is founded as an intermediary of social investment, and it will focus on Social Impact Bonds.	M	H
2007	Social Enterprise Investment Fund	The Department of Health establishes this £100m fund to invest in organizations delivering healthcare services.	P	M
2008	Dormant Accounts Act	The Dormant Bank and Building Societies Act is passed, paving the way for a wholesale social investment bank.	P	H
2008	Esmée Fairbairn Foundation	Esmée Fairbairn Foundation launches a £15m fund to invest in social enterprises, as part of their endowment.	S	H
2008	Key Fund	The Key Fund, managing different regional funds in the North of England, stops its grant making activity to focus on social investment.	S	H
2008	Good Deals	Good Deals takes place as the first national social investment conference.	M	H
2009	Bridges Ventures	Bridges Ventures raises £12m for its Social Entrepreneurs Fund, with more focus on impact and less on financial returns compared with their previous funds. They also raise £28m for a Sustainable Property Fund.	M	H
2009	Communitybuilders	Communitybuilders is set up as a £70m fund to invest in community-based organizations.	P	M

2009	Global Impact Investment Network	The GIIN is established in the US, driven by the Rockefeller Foundation and JP Morgan, as the global industry association for impact investment.	M	M
2010	Social Impact Bond	Launch of the first social impact bond by Social Finance, directed to reduce recidivism at the Peterborough Prison.	P	H
2010	Social Investment Forum	The Social Investment Forum is set up as the trade association for social investors, chaired by Social Enterprise UK.	M	H
2011	DWP Innovation Fund	The Department of Work and Pensions launches a £30m fund to finance social impact bonds in support of disadvantaged young people.	P	H
2011	Bridges Ventures	Bridges Ventures raises £75m for its third fund investing in deprived areas, and re-brands them as Sustainable Growth Funds. They also raise £32m for the Careplaces Fund.	F	M
2012	Big Society Capital	Big Society Capital is established as a wholesale social investment bank with £600m from unclaimed bank accounts (£400m) and the high street banks (£200m).	P	H
2012	Investment and Contract Readiness Fund	The Cabinet Offices launches ICRF to help social enterprises become investment ready.	P	H
2012	Ethex	Ethex is founded as a platform for individual investors to compare among positive investments and buy their shares.	S	M
2012	Social Outcomes Fund	The government launches a £20m fund to support social impact bonds across different departments.	P	H
2012	Social Value Act	Legislation passed by the government to include social value in procurement processes.	P	H
2012	Nesta Impact Investments	Nesta announces the launch of a £25m fund to invest in innovative social enterprises.	P	H
2013	Social Stock Exchange	The Social Stock Exchange starts its operations as an information platform to showcase impact investment opportunities.	F	M
2013	Bridges Ventures	Bridges Ventures launches its Social Impact Bond Fund with £14m.	M	H
2013	Impact Ventures UK	LGT Venture Philanthropy and Berenberg raise £21m to invest in organizations that combine social impact and financial returns.	F	H

2014	G-8 Social Impact Investment Task Force	A task force chaired by Sir Ronald Cohen and launched under the UK's Presidency of the G-8, to raise awareness and share best practices around social investment globally.	P	H
2014	Social Investment Tax Relief	SITR is established to benefit investments in social enterprises.	P	H
2014	Big Potential	Big Lottery Fund launches Big Potential, a £10m ²⁸ fund to help social sector organizations become investment ready.	S	H
2014	UK Social Bond Fund	Threadneedle and Big Issue Invest launch a £15m fund to allow individual investors participate in social investments.	S	M
2014	Social and Sustainable Capital	SASC, a new social finance intermediary, launches the Community Investment Fund with £20m and the Third Sector Loan Fund with £30m, both to invest in social sector organizations.	F	H
2014	Alternative Commission on Social Investment	The Alternative Commission on Social Investment is set up by some organizations in the field to analyse what is going wrong with social investment and to come up with recommendations to improve it.	S	M
2014	Access Foundation	Announcement of Access – The Foundation for Social Investment, with £100m provided by Big Society Capital, Big Lottery Fund, and The Cabinet Office to support smaller social sector organizations with loans and grants.	P	M

²⁸ It was expanded to £20m in 2015.

Appendix D: Detailed coding on the different features of ambiguity

Table D: Other examples of coding on the different features of ambiguity

2 nd Order Themes	1 st Order Concepts	In-vivo coding
Rules	Government intervention	“[Big Society Capital] is the mouthpiece of the government, even though they would argue until they’re blue in the face that they’re independent” (Interviewee #22, Advisor) “Sometimes just have to say, ‘Those things just need to be funded by the state, they’re just good things that need to happen” (Interviewee #25, SIFI) “I think if you look at the whole history of how the market has developed, you go right back to the Social Investment Taskforce” (Interviewee #22, Advisor) “There’s no shortcut to regulations having existed for 10 years, other than regulations having existed for 10 years” (Interviewee #23, Government) “I agree that we talk about it a lot, and I suppose I agree there has been a lot of initiative. So, all those things I mentioned, all those funds, there’s definitely momentum within the Cabinet Office to try and get this stuff done” (Interviewee #22, Advisor)
	Legitimacy	“I think [our fund] wouldn’t invest in an organisation that is going to make a commercial return. I think there’s a real conflict because it’s philanthropic money” (Interviewee #25, SIFI) “When I joined in 2011, there was already a group of, I guess social investment, social finance organisations meeting. They weren’t really sure why they were meeting, and neither was I really. Then gradually over time we started to do more work together, we started to invite key intermediaries that were missing, and I suppose over the first year we sort of realised that there was a bit of a gap, really” (Interviewee #28, Industry Association) “Because we are essentially in charge of public money we have to be quite carefully where we put that capital” (Interviewee #6, SIFI)

2 nd Order Themes	1 st Order Concepts	In-vivo coding
		“The emotion completely changed at that point, and people started to say, I want some of that too” (Interviewee #14, SIFI) “They still be sitting on a lump of money and there’ll be a big demand for them to-to enter the subsidized market” (Interviewee #9, SIFI)
Identities	Language	“I don’t necessarily see a difference between talking about community investment, community development, social investment” (Interviewee #32, SIFI) “I think more people now would be familiar with the term social investment or social finance” (Interviewee #22, Advisor) “We’ve been doing impact investment since 2002, but it’s been more from an economic point of view. It was before anybody had invented the phrase” (Interviewee #27, SIFI) “There’s some confusion when people talk about social investment and quite what it means” (Interviewee #27, SIFI) “We still call it venture philanthropy, although I have to say it’s not a phrase that’s taken off much in this country. It’s been around about a decade but there’s still a lot of kind of like, when you mention it, so I always use it, and people just look a bit confused” (Interviewee #29, Foundation) “The term “Social investing” would be more related to non-profit activity” (Interviewee #1, SIFI)
	Human capital	“It’s quite interesting to see the cultures of these institutions, which are very different, and some ways are determined by the origins of their chief execs” (Interviewee #15, Industry Association) “The personalities who enrolled in the Social Investment Taskforce, which came with an investment mind-set from a very different world were trying to apply that methodology and those techniques in the social space, but without properly understanding the social enterprise part of it” (Interviewee #22, Advisor) “So we both come from city jobs, if you like, and there’s several people in the organisation who have had similar paths” (Interviewee #27, SIFI)

2 nd Order Themes	1 st Order Concepts	In-vivo coding
		“I’ve worked in the public policy charities for a while” (Interviewee #29, Foundation) “Our founders come from a background of investment management, private equity, those kind of worlds” (Interviewee #29, Foundation)
Practices	Financial products	“The kind of money that was being offered wasn’t really what I would’ve regarded as investment, it was all debt funding” (Interviewee #22, Advisor) “You cannot reasonably expect the same sort of financial returns from those businesses as you would from a purely commercially-focused business” (Interviewee #22, Advisor) “Our research says on average, lots of social enterprising charities want patient, risky, unsecured loans and investment at lower interest rates. Big Society Capital, in the way that it’s been structured, finds it difficult to do that” (Interviewee #28, Industry Association) “So the reality is social impact bonds might be relevant to maybe five percent of our members. But crowd funding, community shares, loans, angel investment, and a whole range of other things are much more likely to be relevant” (Interviewee #28, Industry Association) “We’re quite a soft lender. so if people end up not being able to make payments, it’s trying to work out how we can restructure the payments, or give them holidays, and cap the payments” (Interviewee #25, SIFI)
	Impact Measurement	“The fund managers will do both the commercial and the social due diligence, and will manage the reporting back of both” (Interviewee #27, SIFI) “We will work with them, and generally what we will require them to do is pick two or three key measures that, in our funding documents with them, they’re obliged to then report back on” (Interviewee #27, SIFI) “Everyone’s doing standardised reporting framework, but you’ve got 20 firms selling standardised framework. They’re of no use to you, you haven’t even got a uniform definition of social enterprise, and social impact, and social outcomes. I don’t think the industry is there yet” (Interviewee #27, SIFI)

2 nd Order Themes	1 st Order Concepts	In-vivo coding
		“No different from investing in other ventures. Management, market opportunity, risk, difficulty in forecasting income” (Interviewee #2, SIFI) We generally ask for three indicators that they track, and then we set targets for those, and then we track them over time (Interviewee #25, SIFI) “The social screening was very ‘black or white’: either the company was in an area classified as “deprived” or not” (Interviewee #1, SIFI)
Dominant Actors	Actors	“I suppose technically it could be a company limited by shares, but they’d have to be quite strong clauses and articles that they make. It’s mostly [Companies] limited by guarantee and CICs” (Interviewee #25, SIFI) “Social Enterprise UK, it’s in their interest to promote social investment because they are representing the very largest social enterprises for whom the common social finance market is probably the most appropriate. They are the only part of the social enterprise market where social finance is appropriate. They do not represent the interest of, I would say, 95 percent of the rest of the sector. They have a very particular place and a very particular interest” (Interviewee #22, Advisor) “No legal condition (non-profit or for-profit, charities or enterprises), social mission as one of the primary goals” (Interviewee #2, SIFI) “This was the time before Big Society Capital had been formed, but where people knew that it was on the way, so it was quite a lot of interest in social finance, social investment, and social impact bonds. There was a lot of talk, and a lot of chat. A number of the intermediaries were in the process of setting themselves up at that time” (Interviewee #22, Advisor) “We have a long history of community finance, and credit unions, and just using finance in different ways” (Interviewee #28, Industry Association) “So it’s quite a closely linked, almost incestuous-type industry we’re in. There’s a growing, but still relatively limited, number of players. We all know each other quite well” (Interviewee #27, SIFI)

2 nd Order Themes	1 st Order Concepts	In-vivo coding
	Domination	“I think the CDFI’s are slightly different. They perform a very important role, and they have a key function to play, but unless the amount of money that is available to them is increased substantially, their role is what’s going to be quite limited” (Interviewee #22, Advisor) “Since Big Society Capital was formally constituted and founded, you’ve definitely seen a real surge in interest and activity” (Interviewee #31, Social Ent. Incubator) “Having an organization that’s got human resources is really valuable, because then we have people who can, you know, just apply that brain power” (Interviewee #13, Investor) “People from Big Society Capital sit on our board” (Interviewee #10, Advisor) “We tend to be asked... we tend to be invited to the table by government and then we... I guess because we’re a fairly established player in the market who has I guess good links with social enterprises and with investors” (Interviewee #12, Advisor)

Appendix E: Detailed coding on dimensions of ambiguity, by period

Table E.1 Summary of data coding on ambiguity around RULES

Topic	High ambiguity	Reduced ambiguity
	2000-2009	2010-2015
Government Intervention	Diverse regulation, with varied success: – Funding for Community Development Venture Fund (2001) – Community Investment Tax Relief (2002) – New legal form for Community Interest Companies (2004) Investments through different channels: – £100m endowment for UnLtd for incubating social entrepreneurs - 2001 – £20m for Bridges Ventures to invest in deprived communities – 2001 – £125m for Futurebuilders England and £18m to Futurebuilders Scotland to increase capacity of Third Sector delivering public services – 2004	Focus on financing the social sector, mostly large organizations. “Some people will say social investment is only putting investments into what we would call regulated social sector organizations, so charities or community interest companies, but we would say it’s broader than that” (Interviewee #8, SIFI) “Big Society Bank (...) [will be] established using every penny of dormant bank and building society account money allocated to England” (David Cameron, July 2010) “Since 2012, when Big Society Capital came into being, we then began to see huge amounts of these support structures and various bits of funding and programs, which are designed to stimulate and support the market” (Interviewee #24, Social Enterprise)
Legitimacy	“[social investors] weren’t really publicly celebrated or accepted until 2007. So in my view, it took five years of deal happening before you didn’t feel guilty about doing them” (Interviewee #14, SIFI) “Toby Eccles was running around doing the research (...) but no one really believed it” (Interviewee #14, SIFI)	Prime Minister David Cameron endorses the G-8 Social Impact Investment Task Force, led by Sir Ronald Cohen (2013) “Big Society Capital, there are lots of things that have been frustrating and wrong with it, but undoubtedly it had the effect that they wanted it to have, which was to stimulate the market” (Interviewee #14, SIFI)

“We could not get equity finance as investors were nervous about our trading subsidiary being part-owned by a charity”
(Quote from Bridges Ventures report, 2004)

“If [social investors] are able to achieve financial returns that in-line with the market (...) I would question whether they are as social as they claim to be” (Interviewee #22, Advisor)

Table E.2 Summary of data coding on ambiguity around IDENTITIES

Topic	High ambiguity	Reduced ambiguity
	2000-2009	2010-2015
Language	Wealth of similar terms without precise definitions: community development finance, positive investment, ethical investment, social finance, community investment, etc. “No common understanding of the terminology surrounding programme-related investment or social investment currently exists” (Social Investment Task Force, 2005)	Most reports published after 2010 use the language of social investment. “I think more people now would be familiar with the term social investment” (Interviewee #22, Advisor) “A field that references itself as a social investment market, would seem to be over the past five or six years” (Interviewee #23, Government) After 2014, some organizations use the term <i>social impact investing</i> when encompassing a broader set of practices.
Human Capital	Central role of Sir Ronald Cohen, former venture capitalist, who wants to apply similar techniques to finance the social sector.	“Most of our directors have investment banking background” (Interviewee #12, Advisor) “All of us come from the city. We’ve all been in either stock exchanges, or investment banking, or corporate finance, or corporate

“It was the personalities who enrolled in the Social Investment Task Force, who came with an investment mind-set from a very different world were trying to apply that methodology and those techniques in the social space, but without properly understanding the social enterprise part of it” (Interviewee #22, Advisor)

advisory. We tend to come from a finance background first, and then a social background second” (Interviewee #16, Platform)

“One of my favourite quotes from Nigel Kershaw [CEO of the social investment fund Big Issue Invest] is ‘We don’t want any of their toxic thinking’ [from the financial sector] (Interviewee #14, SIFI)

Table E.3 Summary of data coding on ambiguity around PRACTICES

Topic	High ambiguity	Reduced ambiguity
	2000-2009	2010-2015
Financial Products	Social investment reports make references to products for financing investments in deprived communities, for giving financial access to those excluded from the banking system, and to financing the social sector. “Social investment might mean building a luxury hotel in an area where there’s not very much employment (...) social investment might be giving a small charity the first 5,000 they need to start doing a commercial activity” (Interviewee #24, SIFI) Loans are the main financial product, although private equity, social impact bonds, and public stocks are seen as the future of the market.	“Secured loans are a dominant form of finance in the social investment market” (Interviewee #24, Social Enterprise) Secured loans represented 90% of the market in 2012, although other financial products such as community shares and social impact bonds also become relevant niches (City of London, 2013). 70% of the market in 2015 was for financing social sector organizations (Big Society Capital, 2016b) Social Impact Bonds receive much attention and they spread across many impact areas.

Impact Measurement	“We have only been doing impact reporting for three years” (Interviewee #32, SIFI)	“We have our own framework, around what we think a highly-effective organization looks like” (Interviewee #29, Foundation)
	“I think for quite a long time it’s all been relying on trust and good faith that people are creating social impact” (Interviewee #31, SE Incubator)	“As a pre-condition of their entry to [our platform] they undertake to do an impact report” (Interviewee #16, Platform)
	“Social returns can be extremely difficult to quantify. Even when crude measures are used, such as the number of jobs created, they are rarely robust enough to stand up to investment committees or audit requirements” (Bank of England, 2003, p. 50)	“[Impact measurement] is probably an area that everybody struggles with, and there’s still lack of consistency” (Interviewee #32, SIFI) “Certainly on the whole metrics and measurement conversation, I think there has been improvement but, as I said earlier, I worry that we have raised the bar too high” (Interviewee #11, Advisor)

Table E.4 Summary of data coding on ambiguity around DOMINANT ACTORS

Topic	High ambiguity	Reduced ambiguity
	2000-2009	2010-2015
Actors	“At the start of the industry, everything was a challenge. Not enough companies, not enough capital, not enough technical assistance, not enough anything” (Interviewee #16, Platform) Government endorses other actors’ initiatives, rather than having a clear agenda for the sector:	The government and Big Society Capital are behind most of the new developments of the market (investment readiness funds, social impact bonds, Social Value Act, Social Investment Tax Relief, etc.) In 2012, 4 social banks and 9 SIFIs accounted for 97% of the market (City of London, 2013).

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- “This Task Force was an initiative of the UK Social Investment Forum, in partnership with the New Economics Foundation and the Development Trusts Association. It was announced by the Chancellor of the Exchequer in February 2000. HM Treasury had observer status on the Task Force.” (Social Investment Task Force, 2000, p. 3)
 - “The Community Development Venture Fund (CDVF) is essentially a private sector initiative, supported by the UK Government.” (European Commission, IP/02/528)

The value chain of the market is not clear: who are the investors, the investees, and the intermediaries?

Domination The landscape and relations of the sector were not yet defined.

“Ronald Cohen is a very influential guy in this whole story (...) the personalities who enrolled in the Social Investment Taskforce, who came with an investment mind-set from a very different world” (Interviewee #22, Advisor)

Government, charitable foundations, private equity firms, CDFIs – they all played balanced roles.

“The very largest social enterprises for whom the common social finance market is probably the most appropriate (...) They do not represent the interest of, I would say, 95 per cent of the rest of the sector” (Interviewee #22, Advisor)

“I don’t think that Big Society Capital investments really have very much impact at all on the bulk of CDFI customers. Partly because, yes, it’s focused on the traditional sort of voluntary, community, social enterprises. But partly also because it is very risk-averse, and there isn’t any kind of first loss cover” (Interviewee #15, Trade Association)

“One of the things that is going wrong in the social finance market in the UK is the issues being very heavily influenced by a government and the Cabinet Office” (Interviewee #22, Advisor)

“[Big Society Capital has] such an interesting position in the market, that whatever they say, people kind of have to do” (Interviewee #6, SIFI)

Appendix F: Detailed coding on market building processes and intermediation

Table F.1: Data structure for the process of ‘Connecting Actors’

Second-order codes	First-order codes	Quotes
Convening	Conferences	“The big conferences are Skoll, which people will come to and a lot of people will engage with Oxford Jam, that is alongside it. And then there is a Good Deals Conference would be the other biggest one probably that we would engage in it” (Interviewee #8, SIFI) “Well we sponsored Oxford Jam this year what else did we sponsor, I think we are thinking about starting to sponsor awards and stuff as well so potentially some of the SE100 awards but we haven’t reached any of that well so it’s something we are thinking about, and we also speak at lots of events so we get lots of speaker requests” (Interviewee #6, SIFI) “We have Good Deals in November that was pretty much everyone was there” (Interviewee #6, SIFI) “So we try and go to the CDFA one. We try and go to the locality one, with community groups that are important to us. Good Deals. I’ve been to the Skoll once” (Interviewee #14, SIFI) “We go to Good Deals, we go to Oxford Jam, which I think is one of the best; well those two are the best, I would say, yeah, we turn up at a number of other ones but we do find increasingly conferences of the sector talking to the sector about the sector, or even worse is intermediaries talking to intermediaries” (Interviewee #9, SIFI) “Then there’s a couple of the UK conferences, such as Good Deals. Of course there’s the Skoll Forum, but I find that’s become too over, it’s become a talking shop for just the very highest level policy makers, which arguably, very little gets done” (Interviewee #16, Platform)
	Convening	“We had quite broad attendance, we had about 300 people, only about half of whom were actually from CDFIs. You know, quite a lot of think tanks, government, national, local people, trusts and foundations, some people

Second-order codes	First-order codes	Quotes
		from the finance sector, some banks, et cetera. So there a real sort of mix, and we think that's an important kind of model to take forward" (Interviewee #15, Industry Association) "We also host a lot of things so GIIN came over and they held a conference here, so I think we were at that but they also came into our offices to chat to us directly" (Interviewee #6, SIFI) "[The Investor Breakfast] is somewhere in central London. They will have different topics and that's really around social investment so sometimes is the infrastructure organizations or the intermediaries that are talking, sometimes it will be specific investors (...) So they tend to be fairly small gatherings maybe 50 or 60 people. Tends to be industry insiders" (Interviewee #12, Advisor) "The benefits for our members is that we do organise conferences for them. We are able to introduce some member companies to impact investors, whether they be institutional, or high net worth individuals and backers" (Interviewee #16, Platform) "So this first one is a small one, that's to get the angels, so they are high net worth individuals coming along once a month, they have pitch events, they watch some two or three company pitch and they decide if they want to invest or not" (Interviewee #10, Advisor) "So it's actually quite a convening and you know we had the government officials tenders on those round tables so we convened them they would come" (Interviewee #12, Advisor)
	Industry associations	"I like the sort of forums like Social Investment Forum, Community Investment Coalition, that do things and have quite specific theme based discussions" (Interviewee #15, Industry Association) "[Our industry association] has pretty much done what was then wanted of it, which is to seek to consolidate, grow, motivate really what's, in effect, been a new industry, this community finance industry" (Interviewee #15, Industry Association) "We are part of the G8 taskforce on social investment, (...) and a couple of our senior people here have been leading different groups in that" (Interviewee #6, SIFI)

Second-order codes	First-order codes	Quotes
		“We have another three or four meeting during the year to focus around, you know issues of our concern; general social investment issues” (Interviewee #13, Investor) “There is a Social Investment Forum which was operated by the SEUK which is just about to be spun out I believe and has its own funding” (Interviewee #9, SIFI)
Crossing sector boundaries	Individual background	“I did an MBA then moved to venture capital” (Interviewee #8, SIFI) We have got a blend of what I would call investment background (...) and then operational experience (Interviewee #8, SIFI) “I have worked for many years, for about 25 years, in the non-profit sector, in the sort of broad voluntary and community sector here in the UK” (Interviewee #15, Industry Association) “I think we have a big range actually, so it started off more a financial background (...) and then we also have social sector background people” (Interviewee #6, SIFI) “So we let a few investment bankers in. But yeah, only the right ones, the ones who actually know what it’s like to hang out with homeless people” (Interviewee #14, SIFI) “The five directors, three of them are from the [social] sector and two of us are from investment banking (...) and the board is now fairly mixed, I’ll say our board is probably now, has probably moved from being very socially weighted to being more equal maybe slightly in favor with the financial side” (Interviewee #9, SIFI)
	Collaboration	“Co-ops UK we have a very strong link with, primarily because of the community shares unit. We recently forged strong links with UK Crowd Funding Association” (Interviewee #15, Industry Association) “I guess you could call them competitors, most of them I happen to know personally and we’ve always collaborated on ideas, and shared insights. We’ve shared difficulties sometimes” (Interviewee #16, Platform) “It’s a small crowd...yeah it is and I think there is a, you know, you were saying "your competitors" but I think we probably see them as collaborators (...) at this point in the market” (Interviewee #12, Advisor)

Second-order codes	First-order codes	Quotes
		“We do have a secondee from government working with us, but we have a secondment of one of our employees who has been working for the Cabinet Office for a year, which I think is helpful because it helps each other understand what it’s like to be on the other side of the fence, and I’d like to do more of that in future” (Interviewee #9, SIFI) “So I guess two of our key stakeholders are Big Society Capital, and the Esmée Fairbairn Foundation. So I suppose Nesta as well, because they, we don’t work operationally a lot with them at the moment, but we have a very strong relationship with them. So those are the three. And then you’ve got the relationships with Bridges, and Big Issue Invest. We bring deals to them. There are other kind of niche funds, people like the Community Shares Unit, who we’re trying to work with closely because we do kind of like in the community shares world, there’s the National Community Land Trust network, and we try and work with them as closely as we can, support them, because we do a lot of work with community land trusts” (Interviewee #14, SIFI)
	<i>Demand</i>	“If I’m a wealth manager at Barclays I think this is so well and good but my fiduciary duty is to maximize returns and that’s why I love the debates what was interesting at Ethex was actually, how did you get the intermediary advisers in the IFA face more comfortable with this I think that’s a function, just time” (Interviewee #9, SIFI) “One of the things that I believe is going to really transform this whole social finance and impact investing landscape is to allow the retail investor to participate in the ownership of these stocks and shares” (Interviewee #16, Platform) “But if you haven’t got the scale, why don’t we talk about you putting some money into a fund, and then growing it to the scale that the market needs. Or if you don’t have the expertise, then that’s again, us as fund managers doing it” (Interviewee #14, SIFI) “The pension funds as well, but the problem is the scale isn’t big enough for the pension funds yet, so we are working on solutions for that” (Interviewee #6, SIFI)

Table F.2: Data structure for the process of ‘Developing a Language’

Second-order codes	First-order codes	Quotes
Language	<i>Culture</i>	“He was fundraiser for Acumen in Europe so, he is also an ex-JP Morgan (...) he can walk into a wealth venture company and he can also sell (...) philanthropy into us to try and help us with our work (...) he’s articulate enough and he’s got social and financial credibility” (Interviewee #9, SIFI) “I think advisers and many investors over interpret what fiduciary duty means. In my opinion, I’m a lawyer by trade not an expert in this area but I think there is a misinterpretation or an overly narrow interpretation” (Interviewee #11, Advisor) “It’s not a social investment bank in the sense of having a different culture or a different way of doing things. It’s exactly the same, but has the word, sort of, society in its title. But you might as well be dealing with Goldman Sachs in practice” (Interviewee #17, Platform) “I do think government is putting more emphasis on social sector organisations. I think part of that is because something else is going on politically. The government is trying to keep separate the private sector and social enterprises, in terms of how we understand them” (Interviewee #17, Platform) “It just seems in this particular sector, that these types of people have a much more balanced approach to capitalism (Interviewee #16, Platform) “Not everybody that has worked in the city, are kind of rapacious capitalists. I think that many of us have either done charitable work, or other things” (Interviewee #16, Platform)
	<i>Language</i>	“I’ve got a really firm opinion on what is and isn’t social enterprise. I’ll tell you what isn’t social enterprise; anything from the private sector isn’t social enterprise” (Interviewee #21, Social Enterprise) “In 2009-10, there was a concerted effort to take the word grant out of any discussion. Grant became a bad word. Interestingly, grant is coming back now” (Interviewee #21, Social Enterprise) “People have different views as to what social investing is. We will fit with some of them and we won’t fit with others and that’s sort of fine” (Interviewee #8, SIFI)

Second-order codes	First-order codes	Quotes
		“Impact investing has more of a connotation around market rates of return. Social finance or social investing, social investing tends to imply that there must be an investment trade-off” (Interviewee #16, Platform) “I think everything’s the same. So I don’t feel very strongly about it. I like impact investment, to be honest. I think social investment and social finance, I mean, I don’t like using social finance now, because Social Finance, the company, exists” (Interviewee #14, SIFI) “So in some ways, I think it’s...that social investing is...it’s...whatever it means to you, can be valid. There’s a... so I would more say definitions are really helpful. But maybe you need more open definitions and not exclusive definitions about social investment is” (Interviewee #13, Investor)
Disseminating information	Research	“We set up the social investment research council with four or five other organizations, and they’re partly accepting proposals to do research on the market” (Interviewee #6, SIFI) “And there’s just been a new report out, I think it’s by New Philanthropy Capital, that also shows similar results, that the rate of business failure amongst social enterprises is 20 percent lower than for the SME sector generally” (Interviewee #16, Platform) “We are doing some small pieces of research” (Interviewee #10, Advisor) “We’ve commissioned [that report] which is kind of our cornerstone research piece I guess when we first started” (Interviewee #6, SIFI) “I then met with [a colleague], and he and I co-wrote a paper together, which was a follow-on from the paper that he wrote back in 2012” (HH) “In that book we define what social enterprise is” (Interviewee #21, Social Enterprise)
	Aggregating information	“We’ve created a platform which forms an opportunities universe if you’re an impact investor, where you can go and find investments that meet your particular values, that are then validated or authenticated by some third party methodology” (Interviewee #16, Platform)

Second-order codes	First-order codes	Quotes
		“I don’t know what you would have to Google to find all of that if you know what I mean” (Interviewee #6, SIFI) “If you looked at Social Enterprise UK website my guess is they would have quite a lot of information” (Interviewee #8, SIFI) “They are an organisation, they are doing a quantitative analysis at the moment. I’m not sure who’s actually involved, but we’re involved, and I think three or four other organisations, and they’re basically taking as much data as they can” (Interviewee #25, SIFI) “So regularly, the government issues progress reports on how the social investment market is doing, and what its agenda is for the next year or so, which is quite helpful in setting expectations in the market” (Interviewee #26, Foundation) “And that’s the sort of industry standard, aggregate, a summary of all aspects of their lending” (Interviewee #15, Industry Association)
	<i>Disseminating information</i>	“We plan to over the course of this year, make it a lot more user friendly on the website” (Interviewee #6, SIFI) “We have been running road shows as well so we’ve gone around the country I think we’ve done two or three so far which is big events where all the social investors are there and we invite social enterprises or charities to come and attend those events” (Interviewee #6, SIFI) “Big Society capital is trying to put out information. There’s a new Social Investment Forum being setup trying to put out the information” (Interviewee #13, Investor) “It’s been up and running for a few years, and social investment became an increasingly important part of what I was writing about because that was, in policy terms, the big matter, the big issue on the policy landscape, particularly in the post-2010 period” (Interviewee #24, Social Enterprise) “It’s the sort of thing that Social Investment Forum, yeah someone independent or a trade body should host it not those of us with vested interests” (Interviewee #9, SIFI)

Second-order codes	First-order codes	Quotes
		“I mean periodically we’ve put out kind of state of the market and types reports and I think others do too” (Interviewee #12, Advisor)

Table F.3: Data structure for the process of ‘Establishing Rules and Practices’

Second-order codes	First-order codes	Quotes
Lobbying for regulation	<i>Regulation</i>	“I think we do need legislation that requires, a bit like the, you’re probably familiar with the Community Reinvestment Act in the US that requires bank to fund CDFIs and others, and that they will have to accept lower rate of return” (Interviewee #15, Industry Association) “I think one of the other barriers is regulatory barriers. So we just can’t communicate the kind of products that we can to, particularly, the retail investor market” (Interviewee #14, SIFI) “Under current law, private benefit has to be incidental. So as by law if we were doing something that wasn’t...that is delivering private assets to an investor, we’d probably be breaking the law” (Interviewee #13, Investor) “The confusion is that Charitable trusts in the UK came under the same regulatory framework the trust and legal framework as pension funds. And pension funds clearly have a fiduciary duty to maximize returns on their investments, whereas actually childhood trusts and foundations it was much less clear” (Interviewee #12, Advisor) “We will be getting our FCA approvals to be able to do financial promotions directly through that particular site” (Interviewee #16, Platform)
	<i>Legitimacy</i>	“Right up until BSC existed, because we launched a fund which we tried to market with social finance, for two years before BSC existed. And we spent two years going around the city. We were doing pitches to everybody. We had a property fund that could generate double digit returns, was going to have a massive social impact,

Second-order codes	First-order codes	Quotes
		was relatively low geared, and they all just went, ten percent return? No, it's not good enough. I went, what is there not to like?" (Interviewee #14, SIFI) "Because we are essentially in charge of public money we have to be quite carefully where we put that capital. So anything that we subsidize that then goes on to produce returns for private investors. (...) So for us kind of the whole legal form for a profit thing is harder for us to do through for a profit type of stuff" (Interviewee #6, SIFI) "Even though those people were doing deals, they weren't really publicly celebrated or accepted until 2007. So in my view, I took five years of deal happening before you didn't feel guilty about doing them, or you didn't expect to be shouted at for trying" (Interviewee #14, SIFI) "I think that you have to look at people's approach. Are they trying to do the same as they've ever done, but have the word social in their title? Or are they trying to culturally create something different?" (Interviewee #17, Platform)
	<i>Lobbying</i>	"My main job is around policy shaping and implementing. So we offer a voice across government and across the investor community. So a lot of stuff with Treasury, with BIZ, with the Cabinet Office, with DCLG" (Interviewee #15, Industry Association) "They are writing one of the sections on the G8 work streams on corporate form. So we usually...we feel that was really important but that...we volunteered some resources to support that" (Interviewee #8, SIFI) "That is a lot of our work, I think that will grow in the future and that is you know lobbying and making sure that the context around social investment is right for it to grow. So one of the things we did recently was lobbying about the social investment tax relief which was just announced in early April. So we did a lot of work on that before you know working with treasury to kind of develop that so that it would have the right conditions for social enterprise" (Interviewee #6, SIFI)

Second-order codes	First-order codes	Quotes
		“We have a relationship with the Cabinet Office, with Department of Health, but it’s exploratory and consultative, and sometimes they remember to ask us things, sometimes we find a conversation to have that’s helping each other” (Interviewee #14, SIFI) “We tend to be invited to the table by government and then we... I guess because we’re a fairly established player in the market who has I guess good links with social enterprises and with investors which is the other piece we can talk about” (Interviewee #12, Advisor)
	<i>Power</i>	“Having an organization that’s got human resources is really valuable, because then we have people who can, you know, just apply that brain power” (Interviewee #13, Investor) “They’re trying to move away from being dependent on the ICRF program” (Interviewee #10, Advisor) “None of us can deliver that considering how we get our money from BSC” (Interviewee #9, SIFI) “I think we have tended to try to use that seat at the table to bring other voices to bear” (Interviewee #12, Advisor) “One of the things that is going wrong in the social finance market in the UK is the issues being very heavily influenced by a government and the Cabinet Office, which has a mission to grow the social investment market without providing the right support to the social enterprise market” (Interviewee #22, Advisor)
New tools and metrics	<i>New financial instruments</i>	“So working with other organizations like big lottery fund to develop ways of blending capital, new ways of blending capital to see you know if we can mix our investment capital with their grants to create products that are more useful for the frontline” (Interviewee #6, SIFI) “One of the objectives that our fund wants to try and widen out the products that are available in social investments market place” (Interviewee #13, Investor) “How do we work with a cash rich cancer charity to say why don’t you take out of your 100 million pound grant right here? Why don’t you put one and a half into this fund you leverage up to 30; you can brand it where

Second-order codes	First-order codes	Quotes
		you want to brand it. I will bring more money and then I can help you with this particular issue” (Interviewee #9, SIFI) “I think if you get a lot of ex-bankers in the room, we are prone to over engineering (...) in general isn’t relevant to the people that need the money” (Interviewee #9, SIFI) “What that is trying to do at the moment is to allow people to have an easy opportunity to place savings within commercial investments that are seeking a positive impact” (Interviewee #23, Government) “The challenge (...) is the creation of product. So what we need is more product, and by product I mean kind of collective investment schemes, funds, all the rest of it” (Interviewee #16, Platform)
	<i>Impact measurement</i>	“We have decided that, from now on, we will be using the Big Social Capital outcomes matrix to report on impact across all our investment activity, and not just for the funds we have from BSC” (Interviewee #32, SIFI) “We agreed to three measures by which the organization is going to tell us whether it’s achieved its objectives or not (...) then we track those three measures at a time” (Interviewee #13, Investor) “We have our own framework, around what we think a highly-effective organisation looks like as it’s forming” (Interviewee #29, Foundation) “To the extent every social impact bond contract its fundamentally based around impact measurement, yes, we advise on the impact measurement” (Interviewee #12, Advisor) “I think people are getting better. I think five years ago, there was just lots of stories, lots of qualitative stuff, and lots of testimonials. I think we’re getting now to being able to standardize various principles maybe, they need to engage their stakeholders, the ability to have some sense of what is down to them and what isn’t down to them. They need to look at what other people in their sector are doing” (Interviewee #28, Industry Association) “We measure, we only measure two things in the work that we do. How people are fed. So Can Cook just says, how people are fed and how many jobs we create” (Interviewee #21, Social Enterprise)

Second-order codes	First-order codes	Quotes
	<i>Infrastructure</i>	“So that was one of our very early investments but that’s an important piece of infrastructure for the market really” (Interviewee #6, SIFI) “So you’ll think of places where you can go find listed equities, you have a social stock exchange. You would think about providers of capital where you have social investment funds, and you have social investment fund managers. You increasingly are seeing advisors and arrangers who specialize in providing services to the social economy” (Interviewee #23, Government) “And again, all of these platforms and intermediaries basically have the same fundamental mission, which is improving capital formation for social businesses” (Interviewee #16, Platform) “The recognition was that actually it would be hard to disperse directly from one big fund into small organizations, and that actually therefore a wholesaler of capitals that in turn if you like it, invested into new financial intermediaries for the sector would be the most effective way to support that group” (Interviewee #12, Advisor)
	<i>Business support</i>	“I would say we have three strands to our operation. One of them the sort of fairly traditional member support and development role. So you know, conferences, seminars, briefing papers, all that kind of thing” (Interviewee #15, Industry Association) “So we also found that there was quite a lot of what we now call investment readiness need. So charities, social enterprises were run by good people, but they didn’t understand what a business plan was (...) So I ended up, reluctantly, to help them get investment-ready” (Interviewee #14, SIFI) “We’ve been increasing our grant programs we did quite a little quite bit of technical assistance grant programs in the UK” (Interviewee #9, SIFI) “You know, there is technical assistance out there, and I think social entrepreneurs should use that technical assistance more and more if they can. So I think you could argue that there are less really refined business opportunities, but once these businesses launch, generally speaking, I think they’re quite solid businesses” (Interviewee #16, Platform)

