



## The role of people's life stories when making sense of impact investing, as an alternative to either charitable giving or traditional investing

Arthur Gautier - ESSEC Business School | Anne-Claire Pache - ESSEC Business School | Filipe Santos, Católica Lisbon School of Business and Economics, Universidade Católica Portuguesa

The articles' aim is to uncover how individuals respond to the hybrid practice of **Impact Investing** based on their prior experiences with the logics of **philanthropy** and **finance**.

The article unveils important information for practitioners in a time when **philanthropic actors seek to increase the impact of their funding, while Impact Investing has emerged as a possible alternative to traditional giving by blending financial mechanisms and philanthropic purpose**.

Contrary to what previous research suggests, the study shows that individuals who are **merely familiar** with the logics at play (philanthropy and finance) are better positioned to evaluate impact investing positively and start using it, than both people who were **not at all familiar (novices)** and people who were **very familiar** with either philanthropy or finance. Their reaction also depends on **what they compare Impact Investing to**: as an alternative to charitable giving or to mainstream investing?

[#Philanthropy](#) [#ImpactInvesting](#) [#Finance](#) [#Hybrids](#) [#HNWI](#)

### Background

&

### Context



- The study uncovers **key mechanisms** by which prior experiences influence how people respond to hybrid practices, which according to the authors is a neglected dimension in sensemaking studies.
- The study was done by organizing **three waves of life story interviews with 14 'high-net-worth individuals' (HNWI)** in the same bank, who were deliberately trying to achieve a positive impact with their wealth (whether through philanthropy, impact investing, or both).
- In order to study how interviewees made sense of impact investing, the authors explored the **relevant prior experiences informants have had with philanthropy and with finance**, and assessing the degree to which they adhered to their core tenets.
- Of the 14 people, **one ignored** impact investing and **seven rejected** it, keeping all their giving and investing activities separate. **Six, however, were willing to use impact investing or had already done so.**
- The findings **can help in evaluating what kind of people might be more prone to evaluate impact investing positively and adopt it**, as opposed to continuing with existing "pure practices", keeping their investments and charitable giving separated.
- Reason for rejecting impact investing can be to **prefer 'giving' to remain 'pure'**, without being tainted by financial principles and mechanisms.

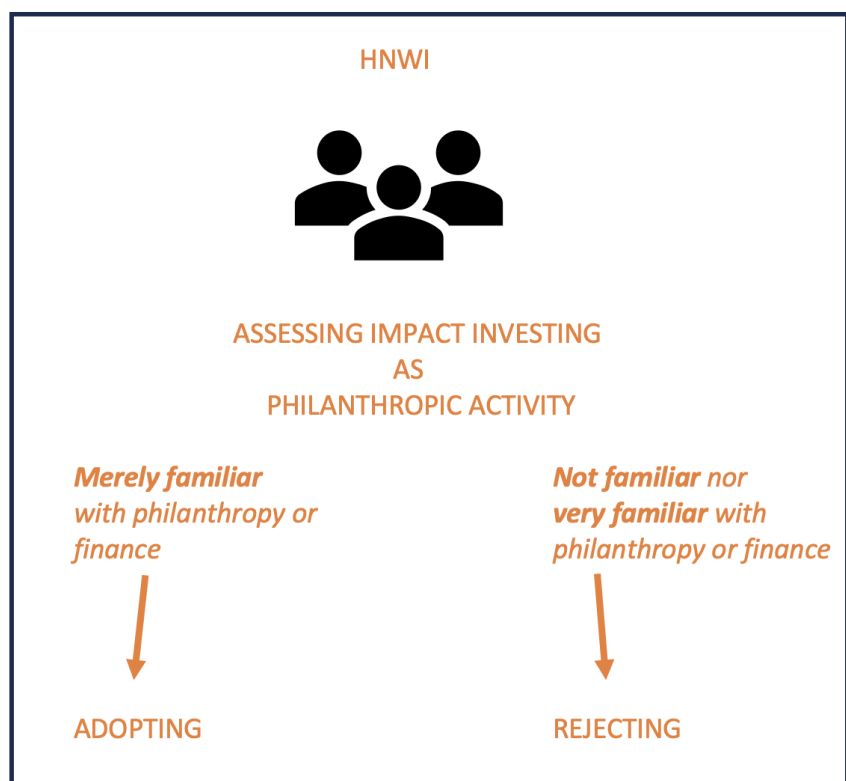
# ERNOP Research Note

Academic articles on philanthropy through a practitioner lens

## Take aways & Learnings



- The key findings can in turn assist philanthropy advisors when consulting founders and donors and in the end **contribute to allocate philanthropic capital for greater impact**.
- Hypothetically, **one might have expected the findings to be the other way around**, showing that people who were very familiar with either philanthropy or finance would regard Impact Investing as a suitable vehicle for philanthropic activities more easily.
- The article's **audience** is in my view **academics** and people who work in **the philanthropy sector**.
- For practitioners this is important because it can provide guidance on the **understanding of how people reason about different ways of conducting philanthropic activities**. It would be interesting to know how the results would compare to a larger sample.
- The article **only answers the question of how different people's backgrounds affect their thinking** when evaluating impact investing. Thus, in my understanding, one cannot conclude that the choice that an interviewee made is better than the other.



ERNOP Research Notes provide easy-to-read, practice-oriented summaries of academic articles on philanthropy and are written by practitioner experts. This ERNOP Research Note 2024/09 is published in March 2024 and has been written by Martin Löfman from The Association of Finnish Foundations. More information can be found at [www.ernop.eu](http://www.ernop.eu).