

ERNOP Research Note

Academic articles on philanthropy through a practitioner lens



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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

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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.

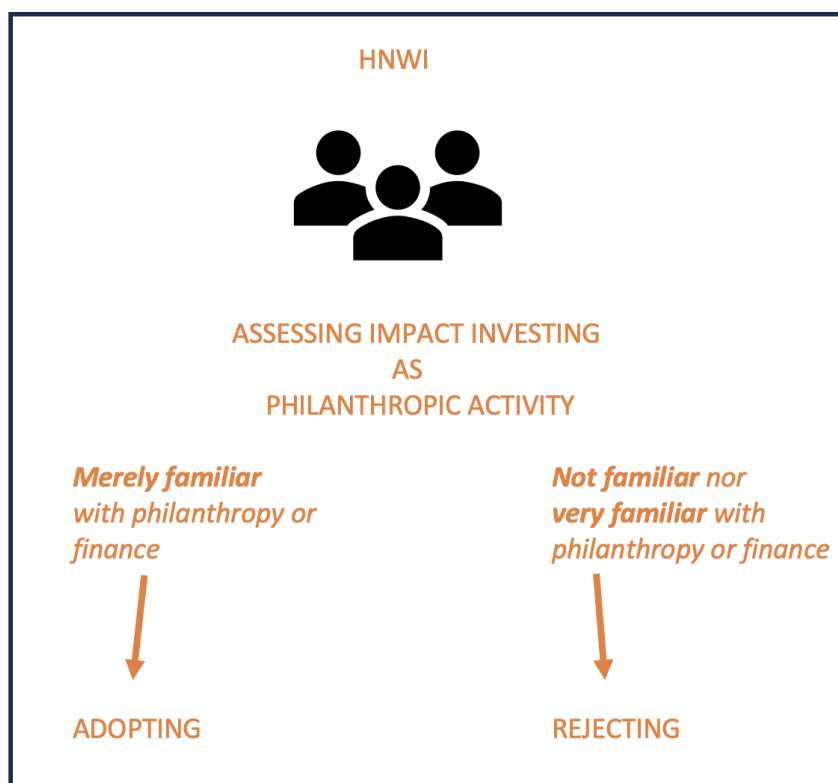
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Take aways & Learnings



- 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.