Two-page summary

Against the backdrop of an increasing financialized global economy (Davis & Kim, 2015; Krippner, 2005), socially responsible investing (SRI, hereafter) funds have emerged (GSI-Alliance, 2015; Sparkes, 2003). SRI differs from conventional forms of investing for its unique recombining of a financial logic complemented by pro-social components (e.g., Almandoz, 2012; Battilana & Dorado, 2010; Pache & Santos, 2013). Existing studies have demonstrated the importance of SRI funds as an indispensable driver for corporate social responsibility (Barnett & Salomon, 2006; Ioannou & Serafeim, 2014; Waddock, 2008a; Wang, Choi, & Li, 2008), but what drives SRI is relatively unknown, especially at the national institutional level (see Scholtens & Sievänen, 2012 for an exception).

SRI is situated within the field of fund management industry where a financial logic importantly shapes taken-for-granted understandings of values, assumptions, and practices (Lounsbury, 2002; Thornton & Ocasio, 2008). Hence, the financial logic would become "an elephant in the room", if extant literature fails to articulate sufficiently its impact on SRI funds. Indeed, the role of a financial logic still remains elusive. On the one hand, a financial logic may exclude SRI funds from the scope of legitimate categories and hence harm their chances of survival and diffusion (Jonsson & Regnér, 2009; Jonsson, 2009; Zuckerman, 1999), because the socially responsible orientation is incompatible with the profit maximizing objective of finance (Friedman, 1970; Jensen, 2002). On the other, a financial logic may provide SRI funds with financial legitimacy, connections, capital, and technical skills, because finance professionals could leverage resources conferred by a financial logic at their own will (Lounsbury & Crumley, 2007; McPherson & Sauder, 2013).

The influence of institutional logics depends on the nature of the logic (Thornton & Ocasio, 1999) and how the logics are instantiated (Besharov & Smith, 2013), so we develop two theoretical extensions to reconcile these contradictions. First, we take a nuanced view on the nature of institutional logics by separating the means of a financial logic from its end-goals (e.g., Pache & Santos, 2010). While SRI funds differ from conventional funds in terms of goal orientations, they resemble mainstream funds in their utilizations of financial means. Thus, a financial logic may limit SRI funds, because it constrains the legitimate definition of end-goals; a financial logic may enable SRI funds, because it provides the means with which SRI funds can utilize to achieve its divergent end-goals. Second, we conceptualize financialization as increasing instantiations of a financial logic at the societal level and dissect financialization into two processes: diffusion and institutionalization (Colyvas & Jonsson, 2011). Increasing diffusion of finance begets institutionalization of finance. Whereas the enabling effects of a financial logic dominates in the mode of simple diffusion, the limiting effects of a financial logic dominates in the mode of institutionalization. Taken together, a financial logic plays a paradoxical role: a curvilinear, concave down relationship exists between financialization and the founding rates of SRI funds. We also explore how the curvilinear effects of financialization is affected by the broader national systems (Bruno, 2003; Hall & Soskice, 2001). Union density, a crucial component of labor system, and financial crises, a systemic breakdown of the economic system, moderate the effects of a financial logic on SRI funds. While union density amplifies both the enabling effects and limiting effects of a financial logic, financial crises affect the limiting effects more than the enabling effects.

We develop the insights with a mixed-method design, combining a panel data of SRI funds from 1972 to 2014 across 22 countries, a year-long field work at an SRI industry association, two-

week intensive participation at an SRI fund, attendances at 4 SRI industry conferences and rich documentary data. We make a few contributions to institutional theory, financialization, and socially responsible investing. First, we demonstrate empirically that macro societal logics can become a source of agency and change (Powell & Colyvas, 2008), in addition to their well-known isomorphic influences. Second, we revive an activity-centered view of financialization and suggest the conditions under which novel financial organizations could arise in the increasingly financialized society. Third, we documented the driving forces behind the rise and fall of SRI funds, an important form of new financial organization that influences corporate social responsibility.

Paradoxical effects of a financial logic on founding rates of SRI funds

Founding rates of SRI	Model (1) Controls only	Model (2) Hypothesis 1	Model (3) Hypothesis 2
	Control variables		
Prior year's founding	0.05^{***}	0.05^{***}	0.05^{***}
	(5.85)	(5.63)	(5.19)
All fund density	-0.00	-0.00	-0.00^{**}
	(-1.02)	(-1.31)	(-2.72)
GDP per capita(log)	2.52^{***}	1.82^{*}	2.32^{**}
	(3.82)	(2.51)	(3.10)
Population(log)	0.82^{**}	0.95^{***}	1.09^{**}
	(3.12)	(3.36)	(3.29)
Trade openness	0.02^{+}	0.03^{***}	0.03^{***}
	(1.81)	(3.65)	(4.69)
Education	-0.68^{**}	-0.74^{**}	-0.77^{***}
	(-2.63)	(-3.15)	(-3.41)
Union density	0.00	0.04^{*}	0.04^{**}
	(0.13)	(2.47)	(2.88)
	Independent variables		
Finance		0.16^{**}	-0.02
		(2.72)	(-0.25)
Finance^2		-0.04^{***}	0.02
		(-4.94)	(0.94)
	Moderation		
Union density # Finance			0.00^{*}
			(2.48)
Union density # Finance^2			-0.00^{***}
			(-3.74)
Constant	-47.87	-43.47	-53.22
	(-0.04)	(-0.03)	(-0.01)
Country fixed effects	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes
Observations	849	766	766
Countries	22	22	22
Log-like	-747.37	-719.15	-711.94

t statistics in parentheses

$^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$