AN EXPLORATION OF IDENTITY CONFIGURATIONS: HOW FOUNDATIONS BECOME IMPACT INVESTORS

Impact investing, or "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return," (GIIN, 2009), is a relatively new field that involves actors from both the public and private sectors. Early examinations of the category focus predominately on clarifying the definition of impact investing (Cahill, 2010; Höchstädter and Scheck, 2015) and how funding is allocated (Cooper et al., 2016; McHugh et al., 2013). Yet there is little understanding of the actors who are adopting this practice and what motivates them to invest (Clarkin and Cangioni, 2016), especially because the practice of investing with an expectation of financial return conflicts with the practice of charitable giving towards societal benefit (Brest and Born, 2013; Ebrahim and Rangan, 2014).

This essay suggests that non-economic motivators, namely identity, are a central consideration in influencing actors to engage in the adoption of a new category practice, impact investments. Specifically, I focus on identity drivers that motivate private foundations to deviate from philanthropic and development sectors to participate in impact investing. To do so, I theorize how the imprinting aspect, "who we are", and the strategic aspect, "what we do", of organizational identity (Albert and Whetten, 1985; Pratt et al, 2016) uniquely influence the likelihood of adopting new practices.

Examining the subset of U.S. private foundations who adopt impact investing as a new practice, I manually construct a matched sample of those who do not engage in impact investing, and measure four unique organizational and individual founder identity elements. I examine the external claims made about their organizational identity as indicators of whether they will engage in new practice adoption. My final sample includes 585 foundations; 264 who adopt impact investing and 321 who do not. I use text analysis (CATA) to analyze multiple pieces of text from each foundation. Because organizations are comprised of multiple identities, I derive identity scores for each organizational identity characteristic. These identities interact with one another to form unique configurations that influence new practice adoption.

I find that the imprinting effect of an entrepreneurial founder is a strong indicator that drives foundations to deviate from institutional norms of philanthropy and adopt the new practice of impact investing. Despite a foundations' core desire to allocate wealth towards the purpose of social good, I also find that foundations a strong charitable identity hinders the likelihood of adopting a new practice. This suggests there are certain identity-markers that characterize the conditions for new practice adoption.

Thus study advances our understanding of identity in two ways: 1) the role that organizational identity elements play in the imprinting process, and 2) how identity motivates action to offer organizations resources for a certain type of practice. My findings disentangle imprinting conditions for new practice adoption, which help to explain the characteristics of early adopters of a new category. In this case, identity is the mechanism that connects an organizations' imprinting behavior and its corresponding strategy, which challenges certain economic assumptions about how and why a new practice will be adopted.