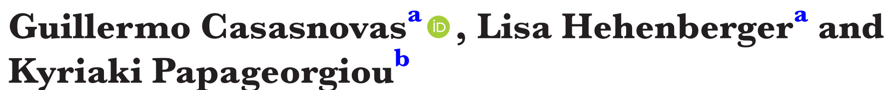
JOURNAL OF MANAGEMENT STUDIES

Journal of Management Studies 0:0 Month 2025
doi:10.1111/joms.13184

Inscribing Impact: Measurement Practices in the Making of Moral Markets



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ABSTRACT Moral markets, designed to generate positive impact on pressing social and environmental challenges, are transforming traditional market practices by including more than economic considerations in their operations. The importance of these markets continues to grow as investors, regulators, and consumers increasingly put pressure on companies to account for their broader social and environmental impacts. However, the absence of standardized norms and tools to measure impact may erode trust and lead to 'impact washing'. This paper examines the process of impact inscription – how actors embed their principles, objectives, and values into artefacts such as measurement tools that shape moral market practices. Drawing on qualitative, in-depth data from Spain's emerging impact investing market, we unpack impact inscription and identify three key mechanisms: demarcating moral market boundaries, accounting for social issues, and redefining governance structures. By driving changes in scope, roles, and incentives, these mechanisms influence the emergence of moral markets and can result in either disruptive change (with the risk of paralysis) or incremental change (with the risk of goal displacement). Our study also prompts a deeper reflection on how measurement tools embed value judgments, shaping how markets internalize social and environmental externalities and integrate them into market exchanges.

Keywords: Impact investing, measurement, inscription, moral markets

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The manuscript is the result of a truly collaborative effort among the three authors. All authors contributed equally and names are listed in alphabetical order.

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INTRODUCTION

Growing awareness of global challenges such as climate change and inequality is driving investors, businesses, and consumers to incorporate social and environmental considerations into their decision-making. This shift has fuelled the growth of 'moral markets', defined as those 'whose *raison d'être* is to offer market solutions to social and environmental issues' (Georgallis and Lee, 2020, p. 6). Spanning industries including renewable energy, organic food, sustainable clothing, microfinance and impact investing (Battilana and Dorado, 2010; Hehenberger et al., 2019; Jones et al., 2019; Sine and Lee, 2009; Weber et al., 2008), these markets require actors to evaluate both economic value and social or environmental impact. However, the lack of clear norms and standardized tools to measure impact complicates this dual valuation process (Bansal and Sharma, 2021; Duuren et al., 2016; Scherer et al., 2013). Furthermore, even as standards and certifications emerge, moral markets face a critical tension between growth and legitimacy (Huybrechts et al., 2024). The ambiguity surrounding a market's social and environmental impact may fuel 'impact washing', where companies and investors make bold claims of significant positive impact without substantive evidence or rigorous measurement. Such practices erode trust and undermine the transformative potential of moral markets, preventing genuine change (Giridharadas, 2018; Logue and Grimes, 2022).

Recognizing the critical role of effectively measuring impact in moral markets, our research focuses on the 'inscription' process (Akrich and Latour, 1992). This term refers to how actors, particularly those developing technological artefacts and tools, embed their interests, values, and objectives into measurement devices. These devices often include implicit or explicit 'scripts' that are meant to guide, encourage, or restrict certain behaviours (Akrich, 1992; Akrich and Latour, 1992). Rooted in the sociology of science and markets and embedded in the theory of performativity in economics (Callon, 1998a; Callon and Muniesa, 2005; MacKenzie and Millo, 2003), the inscription concept highlights the power of material and technical artefacts in shaping market practices. While prior studies have explored this idea (Etzion and Ferraro, 2010; Gond and Brès, 2020; Poon, 2009), we apply it to the moral market of impact investing to unpack how impact considerations move beyond rhetoric into concrete and actionable practices, shaping market structures and dynamics. Our study thus explores how *moral market actors inscribe impact in their ways of working, as well as the effects this has on market emergence*.

Our empirical focus is on the impact measurement tools in impact investing, a market in which investors aim to generate positive and measurable social or environmental impacts together with financial returns (Logue and Grimes, 2022). This is an ideal setting to address our research question, as impact measurement tools allow diverse market actors (investors, social enterprises, public administrations) to inscribe impact into their practices. Using an inside-out research approach (Hehenberger et al., 2019), we draw on six years of in-depth qualitative data capturing the development of the impact investing market in Spain. To enrich and contextualize this data, we integrate insights gained from a decade-long research trajectory in the broader, global impact investing field. Our inductive coding reveals three interconnected steps that impact investors engage in to

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integrate impact through measurement practices: demarcating moral market boundaries, accounting for social issues, and redefining governance structures. These mechanisms drive the emergence of impact investing by reshaping both organizational practices and market infrastructure, defining new scopes, new incentives, and new roles for the actors in the field.

Our study makes three key contributions to the literature on moral markets. First, we introduce a theoretical model that identifies and elaborates on the mechanisms driving the inscription of impact (Hehenberger and Andreoli, 2024; Martí, 2018; Wegener et al., 2024), transforming an undefined and ambiguous concept into a tangible framework that actors can operationalize within organizational and institutional contexts. Specifically, we demonstrate how measurement frameworks contribute to creating moral market boundaries, how they generate accountability towards achieving impact targets, and how this leads to the redefinition of roles and behaviours. Second, our model sheds light on the potential outcomes of constructing moral markets (Casasnovas and Ferraro, 2022; Georgallis et al., 2018; Huybrechts et al., 2024), revealing the conditions that drive either disruptive change (with the risk of paralysis) or incremental change (with the risk of 'impact washing', where impact metrics overestimate actual change). Measuring and inscribing impact is relevant for all moral markets and our inscription process sheds light on how 'moral' a moral market really is. Finally, we offer broader insights into how all markets, as dynamic and collective projects (Callon and Muniesa, 2005; Latour and Callon, 2011), integrate value judgments by constantly redefining their boundaries and determining what they include or exclude. Together, these contributions deepen our understanding of market evolution and how calculative devices internalize externalities, a highly debated and critical issue today, as managers, investors, and policymakers approach impact-related promises and initiatives with both hope and scepticism.

THEORETICAL BACKGROUND

The Making of Moral Markets

Economic sociologists have acknowledged (Callon, 2021; Fourcade and Healy, 2007) that markets are not just automatic mechanisms that bring clients and suppliers together. Rather, socio-technical arrangements that include a variety of actors, practices, technologies, and narratives actively construct them. As such, markets are complex fields of exchange (Fligstein and McAdam, 2012; Zietsma et al., 2017) in which organizations struggle over meanings (Khaire, 2014; Lounsbury et al., 2003), power (Fligstein, 1996; Santos and Eisenhardt, 2009), technologies (Hargadon and Sutton, 1997; Seidel et al., 2020), and values (Hedberg and Lounsbury, 2020; Khaire and Wadhwani, 2010). In other words, markets are not just arenas for economic exchange but also cultural and moral systems that reflect and perpetuate the values of the society in which they operate (Fourcade, 2007).

The term 'moral markets' has recently gained traction, reflecting a broader societal movement to reorient traditional markets towards sustainability, fairness, and

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socially beneficial outcomes (Hedberg and Lounsbury, 2020; Huybrechts et al., 2024; Vedula et al., 2022). Some have defined these moral markets as those 'whose *raison d'être* is to offer market solutions to social and environmental issues' (Georgallis and Lee, 2020, p. 6). Others have used specific terms to refer to these markets – such as concerned markets (Barman, 2015; Geiger et al., 2014) and markets for virtue (Brès and Gond, 2014; Vogel, 2005) – which are underpinned by the belief that economic activities should align with certain moral or ethical values, such as social justice and well-being. Moral markets often emerge in areas where traditional markets have failed to account for the broader social or environmental costs of their operations, such as renewable energy (Pacheco et al., 2014; York et al., 2016), organic and sustainable farming (Weber et al., 2008), fair trade products (Reinecke and Ansari, 2015a), impact investing (Logue and Grimes, 2022), ethical fashion (Blanchet, 2017), and sustainable palm oil (Geiger et al., 2014).

A key element of these moral markets is that consumers explicitly consider the social and environmental impacts of the products and services they buy. Because consumers include these variables in their purchasing decisions, they hold organizations operating in them accountable not only for their financial performance but also for their impact on society and the environment. Market performance becomes a contentious issue of debate when economic and societal values interact (Geiger et al., 2014). This societal value, or impact, is not often taken into consideration in economic terms (generally considered an externality), but it is nevertheless central for evaluating the legitimacy (Huybrechts et al., 2024; Nicholls, 2010) or reputation (Grimes et al., 2018) of firms and other types of organizations operating in moral markets.

The literature on moral markets has provided important insights on how these markets develop, including the work of social movements (Lounsbury et al., 2003; Pacheco et al., 2014; Weber et al., 2008), new consumer behaviours (Caruana et al., 2020; Reinecke and Ansari, 2015b), new policies (Casasnovas, 2022; Georgallis et al., 2018; Giamporcaro et al., 2020), and the work of specific intermediaries (Arjaliès and Bansal, 2018; Brès and Gond, 2014; Slager et al., 2012). While the use of ambiguous and multivocal terms like 'impact' might initially mobilize diverse actors by allowing them to approach and engage with issues from their own perspectives (Ferraro et al., 2015), it may eventually contribute to displacing the initial goals because of interest misalignment among the multiple parties (Grodal and O'Mahony, 2017). Such ambiguity and cognitive dissonance can also generate tensions (Owen-Smith and Powell, 2008) and lead to paralysis or failure (Vermeulen et al., 2016; Zuzul, 2019).

Prior research on moral markets often points to disparity in defining 'impact', complicating efforts to develop and expand new markets centred on these considerations (Barman, 2015). Worth noting, for example, are the diverse perspectives on impact within the context of the meat industry: Some claim that reducing global consumption is sufficient, while others advocate that only organic meat should be allowed; others believe that only vegetarian habits can reduce CO_2 emissions, while others advocate vegan options because of the importance of animals' living conditions. Furthermore, as social and environmental challenges tend to be 'complex, uncertain, and evaluative' (Ferraro et al., 2015, p. 372), measuring organizational impact on those issues is prone to remain ambiguous and disputed (Berndt and Wirth, 2018). For instance, the

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unintended consequences of policy support for moral markets (Casasnovas, 2022), the ethical complexity of fair trade practices (Reinecke and Ansari, 2015b), and the contradictions between market and pro-environmental logics in the U.S. green building supply industry (Vedula et al., 2022) all reflect this ambiguity and conflict. This diversity makes efforts to develop widely acceptable metrics (Hayes et al., 2018) and understand the actual impact that some of these markets have (Schlütter et al., 2024) both difficult and problematic. We turn to the literature on measurement and calculation to explore the specific challenges associated with incorporating impact in the prices consumers pay, the returns investors expect, and the ways moral market actors act (Dietz et al., 2003).

Measurement Practices and Calculative Devices in Moral Markets

Extant research has demonstrated that calculation and measurement are intrinsically social processes (Callon and Muniesa, 2005; Rao, 1994) and that different actors often use them to exert power (Bowker and Star, 1999; Giamporcaro and Gond, 2016; Lamont, 2012). Measurement processes are political, not only because market or government actors can directly employ them for management and control purposes, but also because they serve to dictate what is valuable and what is not (Zuckerman, 2012). A critical insight of this work is that quantitative operations are inseparable from qualitative judgments and that all evaluations, including arithmetic, are 'qualculation' (Cochoy, 2002, cited in Callon and Law, 2005), meaning that they embed social values and moral judgments (Callon and Law, 2005; Scott, 1998). Thus, deep-seated values and moral evaluations, which some scholars have called 'orders of worth' (Boltanski and Thévenot, 2006; Patriotta et al., 2011), serve as the foundations to determine what measurement processes actually measure.

Furthermore, Callon's (1998a) insights on 'performativity' suggest that the economic theories and models actively shape and construct financial markets rather than merely describing them. MacKenzie (2006) extends this concept by demonstrating how financial models influence market behaviour and market structures. A particularly powerful illustration is how financial models and tools, like the Black-Scholes formula for pricing financial options, can serve to 'perform' the economy (MacKenzie and Millo, 2003), shaping perceptions of risk and responsibility (Garsten and Hasselström, 2003) or becoming social norms (Maurer, 2002). Indeed, measurement practices can shape the world in their image and change or legitimize phenomena in the real world (Beunza and Ferraro, 2019; Déjean et al., 2004; Garud and Gehman, 2019; MacKenzie and Millo, 2003).

The principal reason for this performativity is that measurement practices are paradigmatic examples of inscription devices; that is, they embed certain interests, values, or patterns of behaviour (Akrich et al., 2002; Akrich and Latour, 1992). Like a film script, inscription devices 'define a framework of action together with the actors and the space in which they are supposed to act' (Akrich and Latour, 1992, p. 208). Various studies across disciplines illustrate how measurement practices inscribe behaviour (Etzion and Ferraro, 2010; Gond and Brès, 2020; Poon, 2009). For example, Padgett (2012, p. 168) details how a new accounting system (the partnership

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system in Renaissance Florence) gave rise to 'entire interlinked ecologies of "ways of doing things"'. Similarly, Carruthers and Espeland (1991) illustrate how double-entry bookkeeping has contributed to the rise of capitalism. Research on algorithmic configurations and financial instruments underscores that, while certain measurement tools are extensively performative and generative, others are not (Beunza and Ferraro, 2019; Déjean et al., 2004; Faulconbridge and Muzio, 2021; MacKenzie and Millo, 2003). Indeed, inscription devices do not always enact the scripts of their authors (Akrich, 1992; Suchman, 2007). Few actors may be inclined to 'play' the envisaged roles or adhere to the original script without any deviation. Inscription device characteristics, such as how combinable and presentable these are, will determine the mechanism's performative power (Latour, 2011).

Recent scholarship has further elucidated the pivotal role that tools and measuring practices play in shaping new market landscapes, contributing to shifting the perception of markets as natural phenomena to complex socio-material constructs shaped by various forms of devices and expertise (Gond and Brès, 2020; Mehrpouya and Samiolo, 2016). For example, Poon (2009) traces the role of commercial consumer credit analytics in shaping the trajectory of mortgage market practices, while Barman et al. (2021) show that quantifying impact-related issues considered ambiguous may make them seem less subjective and persuade stakeholders of their value. Similarly, Arjaliès and Bansal (2018) demonstrate that quantifying environmental, social, and governance (ESG) criteria facilitates measuring practices' integration into investment processes; however, they emphasize that this financialization of social issues introduces significant concerns, including the potential dilution of intrinsic social values and the risk of prioritizing financial metrics over substantive social impact. This conundrum lies at the core of our project.

Our review of the literature has revealed the transformative potential of measurement tools and practices in moral markets. These are not merely neutral data collection techniques; rather, they are imbued with moral judgments. Such judgments are made about what is valuable (or moral) and what is excluded from the measurement process. This complexity raises critical questions about the elements the measurement process creators include or exclude in these calculations and how these tools and practices become integrated within market contexts, thus shaping their outcomes. Therefore, we ask: *How is impact inscribed in the practices of moral market actors, and what effects does this have on the emerging moral market?*

METHODS

Research Context: Impact Investing in Spain

The emerging impact investing practice is an ideal setting to explore our research question. On the one hand, impact investing is an emerging moral market that has drawn together organizations from the public, financial, and social sectors, each with their own backgrounds and goals (Barman, 2015; Höchstädter and Scheck, 2015). On the other, it has seen the development of new tools to measure and evaluate social impact, a practice

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that is central to the definition of impact investing (Barman et al., 2021). What these actors have in common is a shared interest in incorporating impact metrics into investment decisions.

Impact investing is a type of investment that aims to generate a measurable social or environmental impact together with a financial return (Hand et al., 2020). The term was coined in 2007 at a meeting hosted by the Rockefeller Foundation (Harji and Jackson, 2012) and has been part of the international public agenda since the formulation of the G-8 Social Impact Investing Task Force in 2013. This taskforce evolved to become the Global Steering Group on Impact Investing (GSG), an independent organization that brings together National Advisory Boards (NABs) from different countries in order to promote impact investing on a global scale. In addition to the GSG, another key actor is the Global Impact Investing Network (GIIN), a membership-based organization whose goal is to increase the scale and effectiveness of impact investing around the world, in part by developing and spreading the use of impact measurement tools and practices.

At the beginning of our study in 2018, Spain was still a relatively immature impact investing market (Gianoncelli et al., 2018). By 2023, however, Spain had joined the global impact investing scene and contributed to the development of new impact investing actors and measurement tools. The emergence of impact investing in Spain was part of a global trend, but it also displays characteristics that were specific to the national context. Spain was coming out of a prolonged economic crisis and had a lack of charitable foundations with large endowments, as well as a limited tradition of collaboration between the social, financial, and public sectors (Buckland et al., 2013). In addition, public-private partnerships were less common in Spain than in other countries like the UK, and the government, to a great degree, dominated and subsidized the country's large social sector. Furthermore, practices that were gaining traction in Europe and the US, such as socially responsible investment (SRI), were only marginal in Spain, where financial and social objectives rarely coincided (SpainSIF, 2019).

In 2018, three leading organizations in Spain – a foundation, a social incubator, and a financial advisor – joined forces to convene a large group of actors with common interests in this emerging space. Their goal was threefold: (a) to raise awareness about impact investing among the social, financial, and public sectors; (b) draw up an action plan with recommendations for how to build the market; and (c) establish a National Advisory Board (NAB) in Spain, which would subsequently join the GSG. The actors involved in this process were many and diverse, including newly created impact investing funds, accelerators, and incubators supporting early-stage social enterprises, existing foundations embracing a strategy to generate sustainable business models, asset managers specialized in responsible and sustainable investing, public administrations supporting social innovation, and consultants and academics with interests in the social entrepreneurship and impact investing fields. Although the Spanish impact investing market was small in size, it steadily grew as more actors entered the ecosystem from adjacent fields, such as sustainable investing (Marti et al., 2024). In addition, Spain played an increasingly important role in the global scene through its participation in Impact Europe activities (a European market-building organization focused on venture philanthropy and impact investing) and the GSG, including hosting the global annual gathering of the GSG in Malaga in 2023. By 2023, the size of the market was around €2.9bn (Casasnovas et al., 2023).

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Impact measurement is a key concept and practice in impact investing (Hehenberger et al., 2019; Ormiston and Seymour, 2011), together with financial returns – which are easier to measure and compare. By definition, impact investing serves to assess the broader social and/or environmental effects of the activities financed (Schlütter et al., 2024). Sentences such as 'What isn't counted, doesn't count' are common statements in impact investing events, and Sir Ronald Cohen (considered the founding father of impact investing) mentioned during his opening speech at the event where Spain officially joined the GSG that 'impact measurement is the key' (FN11[1]). In this line, the GIIN emphasizes that impact investments are those 'made with the intention to generate positive, *measurable* social and environmental impact alongside a financial return' (Global Impact Investing Network, 2019; emphasis added).

Impact measurement tools currently employed by investors or under development are many and diverse, and there is no universal standard. One instrument that puts impact measurement front and centre in the investment process is the Social Outcomes Contract (SOC, also called Social Impact Bond, Outcomes-Based Contract, or Payment-by-results), which brings together public and private actors to promote and test solutions for specific social problems. SOCs operate on the payment-by-results principle, with private investors making an upfront investment and public entities paying a financial return if the project achieves the defined social impact objective. SOCs usually measure this social impact against a control group that is not exposed to the social innovation and by engaging external evaluators. Over the past few years, SOCs have become a popular instrument in the impact investing movement for various reasons, most notably because they can attract actors from diverse fields and experiences and quantify, evaluate, and monetize social impact upfront. In our study, we use SOCs as a specific window of observation to clearly identify and carefully examine the impact measurement tools used in the impact investing context. Other notable tools impact investors in Spain and elsewhere use include the Theory of Change, the Impact Management Project, the Impact Reporting and Investing Standards (IRIS), and the Operating Principles for Impact Management.

Accessing and Collecting Data

Our research uses primary data with privileged access to key organizations (social sector organizations, impact investors, consultants, and public administrations) and an in-depth knowledge of the impact measurement tools used in the emerging practice of impact investing in Spain. We engaged in *inside-out* research (Hehenberger et al., 2019), a particular form of collaborative studies (Van de Ven, 2007) where the initial engagement with the phenomena analysed occurs without a specific mandate to undertake academic research. Instead, researchers gain insights through their full immersion and active participation as insiders and their observations of the everyday, mundane processes involved in the phenomena while pursuing an open and indeterminate empirical enquiry. Outsider researchers work in collaboration with the insiders, removing bias when analysing and interpreting data. These outsider researchers can maintain a critical distance from the phenomena and push the team to connect emerging findings to broader theoretical discussions beyond the specific field of study (Evered and Louis, 1981).

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For this study, the insider researchers immersed themselves in the impact investing field in Europe and in Spain, in particular. They played an important role in promoting impact investing in Spain since around 2010, when the second author, representing a pan-European association, started organizing events and conducting workshops in Spain, while the first author launched an accelerator program for social enterprises. The insider authors participated in the taskforce that worked towards launching the Spanish National Advisory Board (SpainNAB) on impact investing, and the second author was a member of several impact investing fund advisory boards and was thus able to observe the implementation of impact measurement in action. Additionally, as academic partners of the taskforce, they conducted several mapping studies of impact investing in Spain. When Spain was accepted to be part of the GSG, the second author was elected as SpainNAB academic partner with a two-year mandate, from 2019 to 2021, and has remained a member of SpainNAB ever since.

The unique position of these two researchers provided them direct access to a set of data whose significance was unclear at the time of collection. Indeed, we collected most of the data (including all interviews) before knowing what our research question would be. When approaching our data, it became obvious that the insider researchers were closely entangled in the processes we aimed to understand. In addition to having an instrumental role in supporting the emergence of impact investing in Spain, they were also involved in designing different impact measurement tools and strategies used by impact investors. Subsequently, it became the task of the third researcher, who is trained in anthropology and science and technology studies, to critically and reflexively examine this knowledge by interviewing the insider researchers individually as independent sources of data and through the research team's ongoing discussions throughout the study, especially during the analysis and writing phases.

We collected data through interviews (51) with key actors and by taking notes during meetings (71) in which we were active participants, rather than mere observers. A fourth researcher who was not part of the academic research team conducted some of the interviews with impact investing actors, further reducing bias in data collection. We transcribed all the interviews and shared our field notes within the team. We also took notes while participating in advisory board meetings, trainings, and informal meetings with relevant field actors. All the data collectively gathered from Spain was in Spanish, and we had it subsequently translated to English. In parallel to these developments, we conducted in-depth, semi-structured interviews with a group of carefully selected actors – with different degrees of connection to the Spanish impact investing taskforce – who were involved in developing the first SOCs in Spain. We later complemented and enhanced the data with additional research and data collected from secondary sources. Table I provides an overview of the data we collected and our use of the different sources.

Analysing Data

Step 1. We inductively coded the data from interviews and field notes using NVivo and adopted a systematic process of moving from the raw data to more abstract constructs (Charmaz, 2006). We soon became increasingly puzzled by how impact measurement

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Table I. Data collection

Data source		*Amount*	*Examples*	*Collection period*	*Use in data analysis*	*Main insights provided*
Interviews	About social impact bonds	21	• Public administrations • Social service providers • SOC intermediaries	2018–2019	Direct coding	Measurement practices
	About impact investing in general	30	• Fund managers • Asset owners • Ecosystem actors	2018	Direct coding	Measurement practices and impact investing
Participant observation	Frontstage events	28	• Industry events • Open workshops	2018–2023	Direct coding	Market boundaries and outcomes
	Backstage events	43	• Spain NAB meetings • Meetings with other NABs • Advisory meetings with impact investors	2018–2023	Direct coding	Measurement practices and 'ways of doing' of impact investing actors
Archival data	Industry reports	n/a	• Spain NAB reports • Other NAB's reports • GSG reports • Other reports	2018–2023	Scope and triangulation	Market boundaries and outcomes
	Other	n/a	• Blogs, news, websites	2018–2023	Scope and triangulation	Market boundaries and outcomes

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was absolutely central to the practice of impact investing yet ambiguous and often contested in the context of the emerging impact investing market. Going back and forth between our data and the literature, we focused our attention on data related to impact measurement practices and their consequences for the impact investing market, resulting in two types of codes covering these aspects. For example, first-order codes such as 'Agreeing on relevant concepts' and 'Blending social and financial approaches' pointed to the second-order construct, *Setting impact objectives*, which refers to features of the impact measurement practice. Instead, first-order codes such as 'Introducing specific impact objectives' and 'Setting an impact carry' pointed to the second-order construct, *Defining new incentives*, a consequence of the impact measurement practice on the ways impact investors work.

Step 2. We discussed how the constructs related to the impact measurement practice had consequences on the ways impact investors work and how they combined to affect market dynamics. For example, *Quantifying impact* allowed impact investors to *Define new incentives* which, together, helped market actors account for social issues. This exercise enabled us to group the second-order constructs into three mechanisms – *demarcating moral market boundaries*, *accounting for social issues*, and *redefining governance systems* – that had theoretical relevance and helped us generalize beyond the impact investing setting (Gioia et al., 2013). See Figure 1 below for a summary of the coding process and the Appendix A for a selection of representative data for each construct.

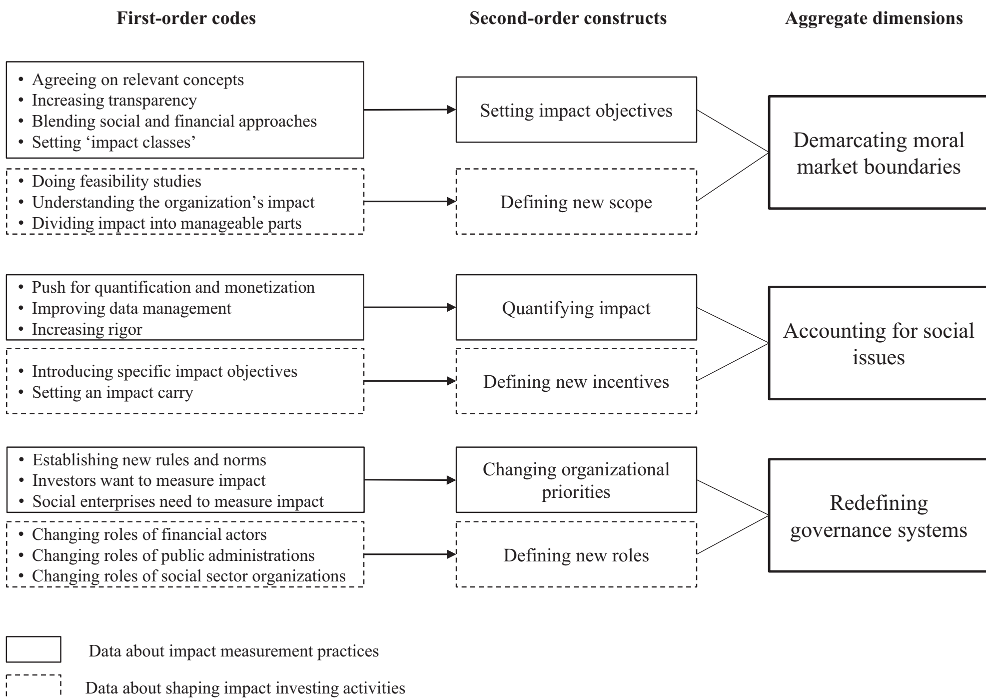

Figure 1. Data coding structure

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Step 3. We held multiple meetings among our research team to discuss the mechanisms identified in Step 2 and how they related to each other. The codes regarding the impact measurement practice resonated clearly with Callon and Muniesa's (2005) three-step conceptualization of calculation (separating the elements into a common space, associating the entities in such a way that they can be subject to calculation, and extracting a result that can leave the calculative space). However, we also had codes related to the impact investing practices and the consequences for the market. Building on the three-step calculative process, we organized these mechanisms into three distinct but interrelated and recursive steps (Cloutier and Langley, 2020) that illustrate how impact investors incorporate impact measurement into their practices, with the consequent effect on the market's development. These phases form the foundation of our model, which delves into the recursive process of incorporating social and environmental impacts into the ways of working of market actors. Our data also shows how some of these mechanisms have the potential to affect the market's evolution in different ways depending on specific conditions related to scope, incentives, and roles. For example, depending on whether the scope of the social or environmental issue was either focused or systemic, the moral market could either engage in impact washing (marginally changing current practices) or it could push for disruptive change. This enabled us to undertake a deeper exploration of the diverse outcomes and implications of the use of these measurement practices on impact investment, specifically, and on moral markets, more broadly, as we suggest in the discussion section.

FINDINGS: INSCRIBING IMPACT IN IMPACT INVESTING

Our data provides nuanced insights into the dynamic processes that underpin the integration of impact considerations into investment activities. Our impact inscription model (see Figure 2) illustrates the two parts of this process, which we describe in this section. First, we present the three mechanisms – demarcating moral market boundaries,

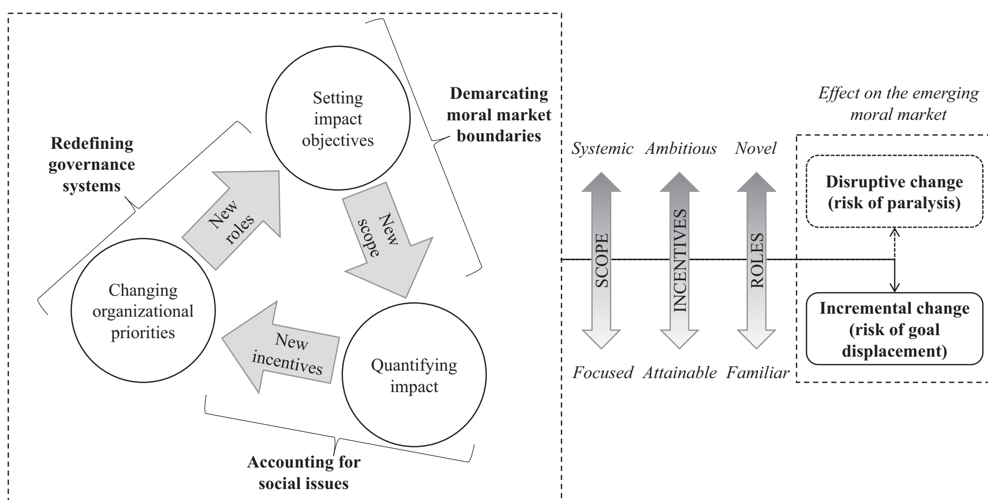

Figure 2. Impact inscription and its effect on moral markets

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accounting for social issues, and redefining governance structures – that make up the dynamic impact inscription process. Second, we examine the resulting effects on moral markets, highlighting how the scope, incentives, and roles derived from the inscription process influence market outcomes.

The Recursive Process of Bringing Impact Concerns into Investment Activities

Demarcating moral market boundaries. In what follows, we show how impact investors define their scope of work regarding the social and environmental impact of their investments by setting conceptual boundaries around impact measurement. This also shapes what it means to be an impact investor, demarcating the boundaries of the emerging moral market, the first mechanism in impact inscription.

A social innovation expert and SOC advocate recounted the hurdles that he faced when he heard about the first SOC in the UK and tried to adapt that model to the Spanish context: 'What I started doing was preaching. But it was preaching in the desert. It was a total desert' (I02, Social entrepreneur). The multivocality of labels such as 'impact economy' helped attract interest and convene actors in different forums, such as the Spanish taskforce to promote impact investing or the different initiatives to stimulate SOCs in Spain. As an executive of a trade association mentioned, 'the definition (of impact) is so broad that you can use it as you like' (I49, Trade association). However, once these groups of organizations started to work together on specific projects, they began grounding the meaning of those abstract concepts in order to move forward in their coordinated efforts to address particular social challenges.

When working with such concepts (impact investing, impact measurement, impact economy, etc.) that mean different things to different people, impact investors engaged in *setting impact objectives* to help actors understand what practices were included or generally accepted and which ones fell outside of this field. In reports to size the market for impact investing, research organizations defined core concepts such as intentionality, contribution, additionality, and measurability. While it was easy to define impact investments as those 'made with the intention to generate positive, measurable social or environmental impact alongside a financial return' (Global Impact Investing Network, 2019), the actors in our case study disagreed and started debating how much impact was necessary, on whom, or with what level of financial returns. For example, a wealth manager stated this clearly: 'We all understand what impact investing is. It looks for a financial return and a social or environmental impact. Ok, but where is the boundary, how do you measure it' (I29, Commercial bank). In a similar vein, an impact investing intermediary asked: 'Is it enough to have the additionality of the investee, or do we also need the additionality of the investor?' (FN69, Taskforce internal meeting).

Discussions about SOCs also focused on setting conceptual boundaries. For example, when designing a SOC for reducing long-term unemployment, its proponents were very transparent and clearly defined concepts such as the target populations, the type of impact they were expecting, or the time horizon that was necessary for the impact to take

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place. This transparency allowed the different actors to detail the impact expectations and the risks involved, helping bring actors together into the investment process and allowing those who were not willing to assume the risk to opt out.

Working with concepts such as impact investing also meant blending social and financial approaches, which was not always easy: 'Business people have their own idea about philanthropy and social responsibility. […] I think that is also a barrier for the sector' (I10, Foundation). An impact investor told us how, when trying to raise funds from a family office, the brother in charge of the investment arm sent him to the philanthropic arm, while the brother in charge of the philanthropic foundation sent him to the investment office. As another investor said: 'Very often this concept of social impact investing is not understood. Either it is investment or it is social, but both things? People don't see it. It is a cultural issue in Spain that is difficult; the concept is not very developed yet' (I46, Impact investor). Because of this initial decoupling of social and financial approaches, hybridization at the discourse level was a first step towards redefining conceptual boundaries.

Impact investors also tried to set specific impact classes to make those abstract concepts more manageable, such as the Impact Management Project (IMP) categories of A, Avoid doing harm; B, Benefit stakeholders; and C, Contribute to solutions (Project, 2018). The impact investing funds we spoke with used these IMP categories when conducting due diligence on potential investees because the tool helped divide complex concepts and interventions into simpler components, prompting specific questions about outcome thresholds, stakeholder characteristics, or depth of the estimated change, among others. For example, the fund manager, Creas, used IMP's five dimensions of impact (what, how much, who, contribution, and risk) to understand the potential impact of an investee social enterprise, its main beneficiary groups, and the type of impact that they were having on each group (Creas, 2020). These categories helped fund managers become better at understanding what to ask potential investees to assess their impact, thereby reshaping their role as impact investors. Instead, when using all-encompassing frameworks such as the Sustainable Development Goals (SDGs), it was more difficult to agree on the specific issues to which investors were accountable.

Having clear conceptual boundaries allowed impact investing actors to define a new scope for their strategy. In the case of SOCs, the first step was usually a feasibility study, aimed at gaining an in-depth understanding of the social challenge and exploring what interventions could help address it. For example, a social innovation consultant doing a feasibility study on dropout school rates among children in foster care found out through in-depth research and data analyses not only about the complexity of the problem, its lasting consequences on those individuals, and the cost for the state, but also about the lack of insight into the problem among civil servants: 'They had never seen that. I was even surprised because I felt this was general knowledge on what the status of children in care is' (I02, Social entrepreneur). This allowed for the different stakeholders to align their interests, working on those projects in which business models could generate both financial returns and a positive impact: 'Once the feasibility study is finished, they know there are many advantages for almost every stakeholder involved in the process' (I10, Foundation).

Apart from doing feasibility studies, impact investors also tried to understand the potential for organizational impact. For example, they used the Theory of Change tool to better understand not only the social challenges they were trying to address but also the potential

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change that their organizations could generate. This exercise helped actors distinguish the direct result of their organizational activities (e.g., the hours of employability training given to refugees) from outcomes in terms of the social change achieved (e.g., refugees who found a job) and long-term impact (e.g., refugee communities' integration in their new country). The resulting logic chain helped these actors divide impact into concrete parts that they could measure, as a result, making the connections between what the actors did and the results of their activities clearer. This in-depth understanding of the context and the problem at hand was key for them when trying to challenge existing institutions: 'I need to demonstrate that the new intervention that I am suggesting has a reasonable expectation of improving the current situation' (I16, Politician). Investors also complemented the Theory of Change framework with other measurement tools: 'The B Impact Score and the company's Theory of Change also helped Creas assess whether the company is creating positive impacts for people and/or the planet' (Creas Impacto, Archival data).

This new scope also reflected more specific accountabilities, because impact investors could divide the broad impact concept into manageable parts. In the case of impact investing funds, they often had different verticals (for sectors such as education, health, climate, etc.), with concrete impact objectives that derived from their Theory of Change. In the case of SOCs, it was often a matter of dividing responsibilities across different public administrations: 'You will see that the savings actually exist. The problem is that they exist at different levels of administration, so they happen at the city council, at the Generalitat [Catalan regional government], and at the State level, the federal level' (I02, Social entrepreneur).

Accounting for social issues. Establishing market boundaries and defining the scope of investment interventions set the stage for quantifying the actors' impact, for example, by defining numeric impact KPIs. Impact investors could then integrate these impact metrics into their organizational objectives and link them to the incentive structures. This second mechanism, *accounting for social issues*, captures the dual process of quantifying social impact and embedding it within financial decision-making frameworks. It enables actors to formally recognize and incorporate social issues into the market, ensuring that impact considerations become part of the value-creation process. In this way, both the financial and societal outcomes that these actors aim to measure and achieve through these metrics give shape to the impact investing moral market. The actors' more profound understanding of the social problems and the potential impact of the organizations (which was possible thanks to demarcating the ambiguous moral market boundaries) made civil servants think differently about how they dealt with the problem, as well as helping them understand the importance of improved data management and having a data-driven policy: 'Our idea with big data is to build a database with all the income that each family receives, both monetary and in kind. […] The goal is to make a balance sheet or profit and loss account of the relation between a family and the state' (I04, Civil servant). As market actors were 'highlighting the need for a more systematic and serious approach to data management – collection and management' (I02, Social entrepreneur), this new capacity was 'allowing [them] to make decisions that maximize positive impacts on stakeholders' (Creas Impacto, Archival data). In SOCs and impact funds, actors measured their *impact* objectives with *quantitative tools*. This meant that fund managers,

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social enterprises, and other actors were held accountable to very specific impact targets, such as a percentage decline in school dropout rates or a concrete number of people within a determined cohort that should be employed after one year.

This enhanced rigour helped mobilize attention and resources towards tools like SOCs: 'There is a level of rigor that is demanded from all parties to generate this trust that is not common practice in social services, in public procurement, with NGOs, and so on' (I02, Social entrepreneur). They also 'raised the bar' in impact investing by measuring not only the outputs but also the outcomes and long-term impact, whereas many impact investors still only focused on output measures with a short-term horizon. In particular, investors in early-stage companies argued that it was impossible to define more relevant indicators, as little evidence existed yet of potential impacts. This impact might even occur outside of the scope of the investment period, as would be the case for more complex issues that require many years to be resolved. However, as one social sector organization pointed out, '[All these benefits] are possible if there is a good measuring system that considers what impact it is having, not only the output' (I15, Social sector organization).

Impact investors also expressed a desire for precise measurement tools to allocate their resources as efficiently as possible and thus help prioritize goals: 'If you don't quantify it, it is very difficult to decide on what is better, between investing in a school or a health center' (I48, Consultant-Big Four). As the co-founder of a social enterprise accelerator mentioned, 'Standards are fundamental for comparison but also for understanding the complexity of the problems' (FN45, Impact conference). Striving for comparability, many advocated for monetary measures (such as the Social Return on Investment, or SROI) that allowed for commensuration among the diverse and multiple impacts: 'They are working on impact measurement, because, for the firms, it is important to monetize the impact and therefore be able to compare among different investments' (FN08, Taskforce internal meeting). During a conversation with the CEOs of two major Spanish multinationals, they argued that 'Many natural resources are not being 'managed' because they don't appear in the P&L or balance sheets of organizations, […] and impact needs to be managed as you manage other KPIs' (FN45, Impact conference). One way in which SOCs quantified impact very specifically was by using control groups in their evaluations: 'The alternative was to focus on historical data, but we're going to work on employment. […] I think it's important to use a control group that experiences the same economic situation' (I03, Social entrepreneur). By establishing impact indicators, actors were able to quantify and compare impacts, helping establish hierarchies and prioritizing different types of impacts.

This push to quantify impact allowed impact investing organizations to set *new incentives* within and across organizations. One way of doing this was by directly linking impact and financial metrics. In the case of impact investing funds, this was apparent when they linked specific impact objectives to fund manager earnings. For example, impact fund, Creas Impacto, calculated the success fee (carried interest) earned by the managers using a formula that included several impact metrics. Together with the investors and the investees and using the Theory of Change model, they established between three and five indicators for each portfolio company in line with the business plan and the desired social impact. Gawa Capital, another Spanish impact fund manager, made its financial returns conditional on the outcome of 25 impact metrics which investors validated and an independent agency audited. Impact investors started using the term

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'impact carry', building on the practice of carried interest from venture capital investment funds to denominate this type of incentive structure. While this meant introducing 'impact' into the equation, they still received most of their bonuses as a result of the financial returns they achieved. In the case of public administrations, SOCs pushed them to define success in terms of very specific impact indicators, as the only way of launching a payment-by-results contract was 'linking their action to measurable results, being based on evidence when making decisions' (I10, Foundation). SOCs made the accurate use of impact metrics indispensable because financial returns were directly linked to those outcome measures: 'What we're saying is that there are going to be triggers of payment for every single thing that we achieve here' (I03, Social entrepreneur). Blended funds, those incorporating investors with different return objectives, also exemplify how impact investing funds could create new incentives for investors. An example was the Huruma Fund managed by Gawa Capital and whose investors included the European Union, the Spanish International Development Agency, and private investors. The way in which the founders created this fund clearly stated the different risks and returns that each of those investors would expect, making it transparent for the fund managers what each stakeholder valued and, hence, what their priorities should be.

Redefining governance systems. We also observed how impact investors started changing organizational priorities when they began implementing impact metrics and new incentives. By incorporating impact measurement in organizational and institutional processes, they paved the way to create new roles and practices among impact investing actors, redefining governance systems, the third mechanism shaping the nascent moral market.

Our findings suggest that *organizational priorities changed* as a result of the actors incorporating impact measurement as a key part of the investment process. Fund managers started using the IMP framework to better assess their own strategies and contributions, and they listened to investors' demands that impact metrics be integrated in their annual reports, working together with them to track their impact objectives: 'We have a supervisory committee with the main investors of the fund, and they have to approve our impact metrics' (I42, Impact investor). The social sector in Spain had not traditionally engaged in rigorous evaluations, but the growing demand for impact measurement when preparing to participate in SOCs was changing organizational structures: 'Right now social organizations are designed to win tenders. […] They will have to innovate and reorient their processes not to win tenders but to justify their action through impact measurement' (I14, Social sector organization). Ultimately, social sector organizations that were younger and more tuned into innovative approaches could more easily gain access to funding from impact investors or participate in potential SOCs. Instead, organizations that favoured long-term and transformative approaches that were not so easy to measure found it harder. These new rules and norms were gaining legitimacy.

Changes in priorities also brought about the *creation of new roles* in the different sectors that participated in the emergence of impact investing. Social sector organizations had the opportunity to shift from being recipients of public subsidies to becoming partners of the public sector in improving social outcomes and creating state savings and, at the same time, benefiting from long-term contracts and more flexibility: 'I think that public administrations should be stricter in financing those proposals

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that really can demonstrate an impact, and not providing funding that is only in the short-term' (I09, Impact investor). However, these new roles challenged existing institutions, and it was difficult to embed them in existing legal and political structures: 'For a public administration, for a politician, starting something new is very difficult because you encounter huge resistance to change' (I09, Impact investor).

It also changed the relation of investors vis-à-vis their investees, from mere providers of finance to agents interested in the impact achieved: 'In general, the funds that are becoming interested in this type of products are in it for the impact […], not so much as looking for 20 per cent returns or things like that' (I17, Impact investor). Driven by the need to measure impact, certain parts of the public administration started moving away from the traditional, subsidy-based welfare model to one with a more central results orientation. For example, the launch of SOCs in other countries such as the UK and Portugal often led to the development of infrastructures such as a unit cost database, which specified a cost for different social challenges and thus helped public actors and others define the economic value of the interventions that successfully addressed these issues. One of SpainNAB's recommendations went precisely in that direction: 'To create a database of unitary costs that allows measuring and comparing the impact of specific interventions' (Hehenberger et al., 2019). This recommendation was in line with developments in other countries: 'The European Social Fund is working with unitary costs, and more and more public administrations are working with unitary costs' (FN08, Taskforce internal meeting).

The actors embedded SOCs and impact investing practices in organizational and institutional processes, which was sometimes referred to as the 'impact economy'. The CNMV (equivalent of the Securities Exchange Commission in the US) authorized impact crowdfunding platforms (such as La Bolsa Social) and philanthropic foundations (such as Open Value Foundation) to channel part of their work through impact investing funds. Politicians were also advocating for the use of SOCs to move beyond ideologies in the provision of social services, while impact investing funds (such as GAWA Capital) were showing that it was possible to provide attractive risk-adjusted financial returns together with a significant and independently evaluated positive impact. Our data suggests that by incorporating impact measurement tools into the investment process, actors' roles and priorities started to shift over time, developing new rules, norms, and types of organizations.

As the actors developed these new roles, they also changed their impact objectives in a continuously recursive process. For example, venture capital funds that hired impact managers were then more specific about what counted as impact and what did not. This reframing of their understanding of impact led to restarting the impact inscription cycle. Similarly, foundations building impact investing teams changed the way they worked by broadening what they included as impact, hence contributing to reshape the moral market's boundaries.

Implications for the Impact Investing Market

Scope: Systemic vs. focused. By demarcating moral market boundaries, organizations were able to move from an abstract view of impact to a more detailed understanding of the different components that make up this impact in the context of a specific social problem. However, defining this scope was challenging. Sometimes, market actors pushed for *systemic* approaches that incorporated both the organizations' positive and negative impacts and included

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unintended consequences that were difficult to predict. Academics and think tanks often favoured this approach, pointing to how it could challenge and disrupt existing industries and financial practices (Daggers et al., 2023). For example, the European Commission's expert group on social entrepreneurship (GECES) recommended considering the following when assessing impact: 'In evaluating impact based on outcomes, three more adjustments are taken into account: (1) Deadweight: what changes would have happened anyway, regardless of the intervention; (2) Alternative attribution: deducting the effect achieved by the contribution and activity of others; and (3) Drop-off: allowing for the decreasing effect of an intervention over time' (Clifford, 2014, p. 6). However, many impact investors did not think it was worthwhile to conduct such systemic and comprehensive impact evaluations, especially for smaller investments, because it risked becoming too burdensome for both investors and entrepreneurs, and it would therefore kill or paralyse certain projects or deals before they even started. Instead, they would rather have a scope that was *focused* on a specific target population or a specific outcome, making it more manageable for both investors and their investees. However, as we heard in different field events, for other investors and market actors, the risk was in accepting too shallow or narrow understandings of impact, making it difficult to differentiate between impact investing and other, less disruptive practices, such as responsible investing. For example, Ship2B Ventures, a Spanish impact investment fund manager, moved between these two poles. On the one hand, it expressed an interest in becoming a 'systemic investor,' both in field meetings and in its impact report: 'Moving forward with the Ship2B Foundation is a natural process for us, leading this even more transformative approach to impact investing: Systemic Impact Investment'. On the other hand, most of its investments had a much more focused scope, such as selling bioproducts, reducing back pain, or offering bootcamps for at-risk members of the population.

Incentives: Ambitious vs. attainable. In the case of SOCs, even if their goal was to always align the incentives for the different actors, depending on how the relationship was established, those incentives could be ambitious in trying to generate new knowledge and to scale innovative practices at a national level or they could establish more attainable objectives, such as generating savings for the state or providing returns for investors. The actors involved hence negotiated the projects' impact goals and the resulting incentives, linking them together in the contract. As a representative from an intermediary organization mentioned: 'We have incorporated both parts. You need to save money so that the SOC pays for itself, but, at the same time, the kids that are in the program need to improve their situation' (I09, Impact investor). Impact investing funds also had clear ways to set incentives for their internal and external stakeholders. These incentives to incorporate impact in decision-making were more *ambitious* when they affected the different actors in the 'value chain.' For example, the limited partners (investors in the fund) could accept lower returns; the fund managers' own returns would depend on the impact of their portfolio companies; and the investees would have covenants or specific objectives around impact goals. Instead, impact metrics sometimes created incentives that were easily *attainable*. We observed this when incentives did not align with the interests of the different actors to generate so-called 'impact additionality' and instead pushed impact investors to fund companies that would otherwise be financed by traditional investors anyway. As mentioned in SpainNAB's market sizing study: 'It is very difficult to verify that an investor has indeed made an impact

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that would not have happened otherwise, but certain approaches can provide a 'credible narrative' about an investor's contribution' (Casasnovas et al., 2022, p. 42). One example is the provision of so-called 'flexible capital,' which usually implies accepting a lower financial return compared to market expectations. When ambitious incentives were set in a way that impact investors could provide this type of funding, the door was open to help disruptive and really impact-oriented companies grow. However, data reported both at the Spanish and global levels showed that only a fraction of impact investors were willing to provide such flexible capital, slowing down transformational approaches.

Roles: Novel vs. familiar. As we have seen, changes in the actors' organizational priorities led to the creation of new roles in the social, financial, and public sectors. These roles could be truly *novel* and promote disruptive changes that were difficult to implement, or they could support incremental changes that barely challenged the status quo, as organizations working in this sector found it difficult to move away from their traditional roles and practices. However, while these new roles were sometimes different from impact investing, at other times they replicated *familiar* financial structures in which the integration of social and environmental impacts barely changed their *modus operandi*. For example, SpainNAB encouraged the State to play a substantial role in supporting the emerging market by advocating for new funding vehicles, regulatory frameworks, tax credits, and innovative public commissioning practices (Hehenberger et al., 2019). While these innovations proved to be a chimeric effort in the Spanish context because public sector actors tended to revert to their traditional roles, a new funding vehicle and a new legal form were beginning to take shape by the end of our period of study. More specifically, COFIDES (a Spanish public funding entity) launched a €400-million fund to invest in Spanish impact funds and develop the market: 'The Social Impact Fund (FIS) is a public financial instrument managed by COFIDES that aims to support impact investment in Spain and strengthen the social entrepreneurship ecosystem' (COFIDES, 2024). Also, impact investors barely incorporated certain practices that Impact Europe promoted, such as including the voice of vulnerable stakeholders in the measurement process, because these practices did not align well with familiar roles and practices in the financial industry. In the case of impact funds, we observed that, even if they incorporated impact goals into their governance structures, their role quite often continued to be that of a financial intermediary trying to maximize returns for their limited partners. This is because the pressure to attract funding and conform to traditional risk–return expectations made it difficult for them to move beyond their old fund management roles. For example, while impact fund manager, Ship2B Ventures, has clear impact objectives, its website states: 'Ship2B Ventures focuses on impact investment with market return. It contributes to solve social and/or environmental problems while generating market returns for its investors' (Ship2B, 2024).

Our findings therefore indicate that the inscription process fluctuated between two opposing poles, requiring parties to negotiate between those advocating for disruptive changes and those preferring incremental ones. On the one hand, while impact measurement frameworks that incorporated systemic scopes with ambitious incentives and novel roles had the potential to significantly disrupt existing practices, they also risked generating paralysis due to their complexity and lack of adaptability to incumbent approaches. For example, SOCs (which, as we have seen, advocated in favour of very sophisticated

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measurement frameworks and new organizational roles) faced significant challenges when attempting to balance their tools' impact measurement ambitions and the detailed accountability measures. Case in point, as late as October 2023, some were still discussing in an impact investing conference in Spain about when the first SOC would be launched in the country. For impact funds, it was also difficult to incorporate systemic goals that were too ambitious to achieve over a fund's lifetime or if institutional investors (i.e., pension funds, insurance companies, family offices, and others which served to invest in less risky, profit-maximizing portfolios) did not show enough interest. This systemic impact also required multi-stakeholder collaborations that did not conform with the roles with which impact investors were familiar. Some impact investors used the term 'patient capital' to refer to the type of investments really required to address entrenched and systemic problems, a segment of the market experiencing slow development. Casasnovas et al., 2022 market sizing report stated: 'The investor recognizes that certain types of enterprises will require acceptance of lower risk-adjusted returns in order to generate certain types of impact. For example, creating a new market for previously marginalized populations may require patient capital that cannot deliver a commercial return' (2022, p. 13).

On the other hand, impact measurement practices that kept a focused scope, set attainable incentives, and led to maintaining familiar roles displaced the transformative goals that some actors had for the field. In the impact investing context, this phenomenon is often referred to as 'impact washing'. As stated in Casasnovas et al., 2022 report: 'It would be detrimental and dilute the potential impact of this sector to incorporate strategies that are less ambitious in relation to social and environmental impact' (2022, p. 8). Importantly, this critique did not only come from those social sector actors that felt ignored by existing impact investing trends but also by some impact fund managers themselves, who criticized the sector's evolution behind closed doors. They felt frustrated by the lack of disruption and failure to achieve significant change.

DISCUSSION

This article makes three contributions to the literature. The first two stem directly from our theoretical model (Figure 2) and apply to the burgeoning literature on moral markets (Casasnovas, 2022; Georgallis and Lee, 2020; Hedberg and Lounsbury, 2020; Huybrechts et al., 2024). First, we show how measurement tools serve to inscribe social and environmental concerns into the 'ways of doing things' (Padgett, 2012) among moral market actors. Second, we identify how the scope, incentives, and roles that shape and are shaped during the inscription process perform the nascent moral market in diverse ways. And, third, we suggest that this impact inscription process helps provide a more nuanced understanding of the implicit value judgments embedded in all markets, offering fresh insights into ongoing conversations about how measurement tools and financial devices affect market construction.

The Recursive Impact Inscription Process

Measurement devices are powerful inscription tools that embed value judgments (Callon and Law, 2005; Scott, 1998) and are highly performative (Beunza and

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Ferraro, 2019; Déjean et al., 2004; Garud and Gehman, 2019; MacKenzie and Millo, 2003). Our study describes three mechanisms through which the actors use impact measurement practices to inscribe impact recursively in the ways impact investing works, representing an example of a moral market in the making in which measurement tools play a central role. Through this inscription process, we show how the different actors transform ambiguous social and environmental impact concepts to be able to capture them in organizational and institutional frameworks and thus make them actionable. Each mechanism includes a calculative element from the impact measurement practice that is inscribed in the impact investing practice, hence performing the moral market. Therefore, our model exemplifies 'qualculation' (Cochoy, 2002, cited in Callon and Law, 2005), in which quantitative operations become inseparable from qualitative judgments.

Firstly, our model builds on the work of Callon and Muniesa (2005) to show that using impact measurement tools not only helps actors unpack the concept of impact (separating the constituent elements and bringing them into a common space) but also determines what counts and what does not count as an impact. By defining the scope of impact for impact investors, market actors also define the boundaries and what is *not* included (Callon and Law, 2005), in our case, what is not considered impact investing, thus *demarcating moral market boundaries*. We thus suggest that organizations can undertake this 'boundary work' (O'Mahony and Bechky, 2008) by using measurement tools. Importantly, this type of boundary work is not about policing existing boundaries, which has been studied in markets such as craft beers (Pozner et al., 2022), nanotechnology (Grodal, 2018), or green energy (Georgallis et al., 2018). Instead, it is about the actors creating them anew and shaping them by implementing and managing measurement frameworks. Previous research has also shown how social movements engage in boundary work with direct implications on moral market practices, for example, in organic farming (Lee et al., 2017; Siltaoja et al., 2020; Weber et al., 2008). We further suggest that this work is often mediated by measurement tools and frameworks, as well as other evaluation mechanisms such as standards (Arnold and Loconto, 2021).

Secondly, a clear scope paves the way for quantifying impact, allowing actors to introduce previously abstract and seemingly subjective concepts into concrete financial calculations (Callon and Muniesa, 2005). We further show that this allows impact investors to define incentives both for their investees, in terms of covenants related to achieving impact objectives, and for themselves in defining impact-related carried interest. When *social issues are accounted for*, our second mechanism, they become real and actionable (Weick, 1984), effectively part of the script for market actors to follow (Akrich et al., 2002; Akrich and Latour, 1992). This mechanism is even less present in the existing moral markets literature. While some have joined this conversation (Berndt and Wirth, 2018) and shown the complexity and politics involved in such calculations (Giamporcaro and Gond, 2016), scant scholarly work specifies the way in which market actors account for their social and environmental impact (Hall et al., 2015). As we have demonstrated, using calculative devices is key in setting incentives for the different actors, thus underscoring the importance of analysing how they are part of the market-creation process.

Thirdly, by including impact in incentive systems, the actors change their organizational priorities, thus extracting a result that can extend beyond the calculative space

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(Callon and Muniesa, 2005), enabling the actors to start working towards impact objectives in addition to financial objectives. We contribute by showing how this generates new roles and eventually *redefines governance systems*, our third mechanism. In impact investing, for example, we are starting to see the creation of impact committees (apart from investment committees), whose role is to validate the impact objectives set by impact fund managers. This governance body is unique to impact investing and indicates that the impact fund is accountable with respect to its commitment to achieving impact. Research on moral markets has shown how new regulations and policy strategies can have an effect on the changing field and organizational governance (Casasnovas, 2022; Georgallis et al., 2018). We extend this work by showing how using measurement practices also serves to redefine roles and behaviours as part of the impact inscription process. Other research in moral markets has also shown how measurement tools can lead to new roles and practices (Beunza and Ferraro, 2019; Gond and Brès, 2020), but we illustrate how this is part of a broader and recursive inscription process, as the resulting new roles played by the different actors reframe their impact objectives and therefore initiate a new inscription cycle.

Our study hence contributes to the literature on moral markets by revealing the process through which actors identify moral judgments about social and environmental issues, enter these into their calculations, and shape organizational and field-level practices. While this process is more explicit in markets in which impact measurement is central to their development, we argue that actors will use these mechanisms more or less tacitly in all moral markets, as they all incorporate social and environmental concerns into their products or services that the other market actors will evaluate.

Building on this, another question is how and when individual actors are willing to contribute to this type of collective action process (Lee et al., 2018) by developing and sharing new measurement techniques. We have shown the centrality of impact measurement, but the development of these tools and practices might depend on whether individual actors perceive the relevance and benefits of building those measurement frameworks. In this sense, the actors' willingness to invest in these tools is a critical factor that shapes how moral considerations are operationalized within markets.

Understanding the Performativity of Measurement Tools in Moral Markets

As shown in our theoretical model, impact inscription shapes the emerging impact investing moral market. Although a logical limitation of our study is that it is too early to tell if the impact investing market will be disruptive and give way to a new 'impact economy' or only result in incremental changes as compared to mainstream investment (Hehenberger et al., 2019; Nicholls and Teasdale, 2017), our model identifies some elements that can help determine whether it may lead to one or the other outcome. Despite the potential for moral markets to integrate social and environmental values into economic activities, there are inherent constraints that can hinder their effectiveness and transformative capacity.

As previous research has shown (Martí, 2018), numerous factors or circumstances affect whether and how a theory or new practice becomes self-fulfilling. A critical

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element in reaching a 'tipping point' for widespread adoption is the role early adopters or proponents play, shaping others' perceptions through sense-giving. It would therefore not be unexpected to see that initial goals, claims, or hopes are displaced after the initial field development stages (Casasnovas, 2022; Grodal and O'Mahony, 2017; Kent and Dacin, 2013). One significant limitation is the risk of 'impact washing', where actors' superficial adoption of impact metrics results in misleading representations of their social and environmental benefits without substantial changes to their underlying practices. Additionally, the complexity and ambiguity of measuring impact can result in operational paralysis or failure (Vermeulen et al., 2016; Zuzul, 2019), as actors struggle to implement sophisticated frameworks. Our findings add a new dimension to this conversation by showing how the recursive nature of impact inscription can reinforce these risks – particularly when narrowly defined metrics prioritize compliance over innovation, locking actors into rigid systems that undermine transformative potential. In other words, while a focused scope, attainable incentives, and familiar roles facilitate the actors' adoption of new tools and performing the script (Akrich, 1992; Latour, 2011), our study contends that the transformative power of new moral markets also hinges on the markets' disruptive potential and the actors' actual fulfilment of their ambitious promises. Surprisingly, we observe that even well-intentioned actors can unintentionally reinforce traditional market logics when impact tools are used primarily for legitimacy rather than change, suggesting that moral markets may not inherently challenge the status quo.

Impact measurement's performative nature could guide organizations to prioritize activities that align with broader social and environmental impacts, effectively steering them towards more responsible practices. Indeed, impact measurement can help alleviate the risk of 'impact drift' (Argiolas et al., 2024), whereby actors fail to see a causal link between their activities and their impact. However, it can also have unintended consequences. For example, stringent impact measurement requirements may discourage innovation and flexibility among actors, leading them to adopt a compliance-driven rather than an impact-driven approach. Furthermore, power dynamics within these markets can perpetuate existing inequalities, as larger, well-resourced actors may dominate the discourse and implementation of impact measurement tools, marginalizing smaller organizations and more systemic and disruptive perspectives (Casasnovas and Jones, 2022). Identifying these limits is essential for developing strategies to enhance moral markets' credibility, inclusiveness, and genuine transformative potential.

In our case, the 'impact' element is what differentiates the moral market from mainstream investing (Höchstädter and Scheck, 2015). However, actors measuring and subsequently inscribing their impact is relevant for all moral markets. For example, in the case of microfinance, helping vulnerable families achieve a steady income is not the same as creating a large financial institution that increases the debt burden among low-income families (Kent and Dacin, 2013; Khavul et al., 2013). In the case of electric vehicles and other green energy solutions (Jones et al., 2019; York et al., 2016), scholars should study the entire value chain to understand how electricity is produced and stored (including the impact of batteries) to thus be able to assess the industry's net impact and compare it to traditional approaches. Our study suggests that understanding the performativity of measurement tools requires not only examining their technical application but also critically interrogating the values

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and power structures they reinforce. Therefore, assessing how 'moral' a moral market really is requires understanding the scope of the issues addressed, how the actors translate quantifiable impact measures into concrete incentives, and how these lead to new roles that differ substantially from the status quo. The inherent risk in providing market solutions to environmental and social issues (Georgallis and Lee, 2020) may be that market actors feel tempted to promote incremental changes that fit with existing incentive and governance systems.

Considering Externalities beyond Moral Markets

While we use the term 'moral markets' to describe initiatives explicitly designed to make these markets more equitable and sustainable, our paper contributes to economic sociology more broadly by unpacking the internal generation of morals within all markets (Quinn, 2008; Zelizer, 1978). Contrary to traditional views that treat morals as external constraints on market actors, we argue, in keeping with Fourcade and Healy (2007), that markets are inherently moral constructs which are deeply embedded with normativity. This intrinsic morality is evident in how markets address externalities, such as environmental impacts stemming from economic activities, which are traditionally excluded from financial assessments. As Callon (2021) demonstrates, climate change exemplifies a negative externality whose costs, like those from carbon emissions, we have only recently begun to recognize. This issue provides a critical lens for exploring theoretical approaches to organizing commercial activities and developing solutions to recognized global challenges.

Arjaliès and Bansal (2018) highlight the complexities financialization has introduced, particularly how an emphasis on quantifiable data can mask vital non-financial values. Other scholars have echoed this concern, warning against the financialization of economic and social issues (Davis and Kim, 2015; McHugh et al., 2013). Our research also delves into these concerns, and, building on prior work (Barman et al., 2021), we suggest that using impact measurement tools, when applied across various markets, can clarify and elucidate the often-hidden moral judgments involved when defining externalities (Boltanski and Thévenot, 2006). As Latour and Callon (2011) emphasize in their thought-provoking essay, 'Thou Shall not Calculate!', economics distinguishes itself by its capacity to structure operations, clearly delineating which elements should be included or excluded in its calculations. Essentially, they contend that economists' primary task is to constantly reinforce the boundary between internalities and externalities, because, without this calculation, it would become infinite, and, in turn, monetary appropriation would become impossible.

Returning to our 'demarcating moral market boundaries' mechanism, the boundary work facilitated by using measurement tools determines which moral considerations (or which social and environmental impacts) actors internalize in their economic calculations and, ultimately, attribute financial value. Here, emphasizing the inherent instability of market structures and boundaries is crucial, as is the continuous investment and collective action required by actors to manage them. Callon (1998b) emphasizes this point in an earlier essay, particularly in contexts marked by controversy or uncertainty, where externalities become more visible and subject to contestation. This is especially relevant today, as markets face increasing internal and external pressure to genuinely account for their broader social and environmental effects and to generate positive, lasting impact.

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Acknowledging that impact is a complex and inherently multivocal concept (Ferraro et al., 2015), our work provides empirical evidence of this and proposes a compelling theoretical model that demonstrates how actors can actively operationalize diverse values within their market practices. More specifically, the first mechanism we identify allows investors to pragmatically engage with externalities in a more effective way by defining the broader impacts they wish to achieve. Second, establishing quantitative metrics makes it easier for stakeholders – investors, fund managers, and public administrators – to align their financial and social goals. Finally, the third mechanism helps actors embed externalities management within formal organizational processes, thus enabling investors to carefully consider both the positive and negative externalities of their investments and ensuring that their social impact is both genuine and sustainable.

Defining a 'moral' or 'good' market is not a one-size-fits-all endeavour. Our analytical framework captures the diversity of market configurations, shedding light on the pivotal role that the use of measurement tools plays in market construction and the challenges actors face in achieving their expected goals (Grodal and O'Mahony, 2017; Kent and Dacin, 2013). In this context, our study on impact inscription within impact investing extends the dialogue on market evolution, illustrating that markets are always in flux – constantly transforming and never totally 'made' (Callon, 2021). While our dataset limits definitive conclusions, it provides rich insights into the processes and initiatives shaping market construction. By examining how actors employed calculative devices to inscribe impact, we demonstrate the potential of these tools to bridge financial objectives and societal goals, internalizing, or embedding social and environmental externalities into core decision-making. Ultimately, finding 'good' market configurations is a process of trial, error, and collective learning (Ansell, 2011; Casasnovas and Ferraro, 2022), suggesting that measuring impact itself is an ever-evolving experimental endeavour.

ACKNOWLEDGMENTS

All authors contributed equally, and names are listed in alphabetical order. We thank Yuliya Snihur and the three reviewers for their continuous support. We would like to thank Lourdes Urriolagoitia for her help with data collection. We received valuable feedback at seminars held at Aalto, Audencia, Darden, EM Lyon, Esade, Rutgers, and Stanford Center on Philanthropy and Civil Society. We also received generative comments on the various versions of this paper from Chiara Andreoli, Patricia Bromley, Gregoire Croidieu, Fabrizio Ferraro, Nina Granqvist, Marc Gruber, Tobias Hahn, Lauren Kauffman, Benjamin Le Pendeven, Michael Lounsbury, Johanna Mair, Ignasi Martí, Woody Powell, Nevena Radoynovska, Christian Seelos, and Yi Zhao, among others. We are grateful to all of them, as well as to the many professionals in the impact investing sector who strive, despite the challenges, to make financial markets work for the common good.

NOTE

[1] Field notes and interview data are referenced as 'FN##' and 'I##', respectively.

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APPENDIX A
Representative data of the coding process

Aggregate dimension	*Second-order construct*	*First-order code*	*Data examples*
Demarcating moral market boundaries	*Setting impact objectives*	Agreeing on relevant concepts	• 'We all understand what impact investing is. It looks for a financial return and a social or environmental impact, ok, but where is the boundary? How do you measure it?' (I29, Commercial bank). • 'They know little about the social outcomes contracts. We have a training course organized in a couple of weeks for them' (I02, Social entrepreneur)

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Appendix A. (Continued)

Aggregate dimension	*Second-order construct*	*First-order code*	*Data examples*
		Increasing transparency	• 'The more we are able to clarify terms, do the measuring and communicate it, the more capital we will attract' (I42, Impact investor). • 'If you don't measure the results of what is currently being done, if you don't have metrics of the impact that you are having on people, you really are not having a positive impact, or you don't know if you are having it' (I17, Impact investor).
		Blending social and financial approaches	• 'Very often this concept of social impact investing is not understood, either it is investment or it is social, but both things, people don't see it. It is a cultural issue in Spain that is difficult; the concept is not very developed yet' (I46, Impact investor). • 'Each one explains his/her professional trajectory, often a mix of private and social sectors, sometimes also public. […] MH says her career has been 50 per cent in banking and 50 per cent in foundations' (FN10, backstage event).
		Setting impact classes	• 'The 13 impact asset classes have been designed to help investors describe the impact performance (or, if a new product, the impact goals) of an investment, or portfolio of investments' (Impact Management Project, Archival data). • '[IMP] Impact classes clarify the different types of impact that investments generate' (Creas Impacto, Archival data).
	Defining a new scope	Doing feasibility studies	• 'They had never seen that. I was even surprised because I felt this was general knowledge on what is the status of children in care' (I02, Social entrepreneur). • 'Once the feasibility study is finished, they know there are many advantages for almost every stakeholder involved in the process' (I10, Foundation).
		Understanding the organization's impact	• 'I need to demonstrate that the new intervention that I am suggesting has a reasonable expectation of improving the current situation' (I16, Politician). • 'The B Impact Score and the company's theory of change also help Creas assess whether the company is creating positive impacts for people and/or the planet' (Creas Impacto, Archival data). • 'Standards are fundamental for comparison but also for understanding the complexity of the problems' (FN45).

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Appendix A. (Continued)

Aggregate dimension	*Second-order construct*	*First-order code*	*Data examples*
		Dividing impact into manageable parts	• 'Each area is subdivided into investment themes with accompanying impact objectives for the Fund' (Creas Impacto, Archival data). • 'You will see that the savings actually exist. The problem is that they exist at different levels of administration, so they happen at the city council, at the Generalitat, and at the State level, the federal level' (I02, Social entrepreneur).
Accounting for social issues	*Quantifying impact*	Push for quantification and monetization	• 'If you don't quantify it, it is very difficult to decide on what is better, between investing in a school or a health center' (I48, Consultant-Big Four). • 'They are working on impact measurement because for the firms is important to monetize the impact and therefore be able to compare among different investments' (FN08).
		Improving data management	• '[All these benefits] are possible if there is a good measuring system that considers what impact it is having, not only the output' (I15, Social sector organization). • 'Our core incentive for measuring social and environmental impacts is to manage impact performance based on actual data, allowing us to make decisions that maximize positive impacts on stakeholders' (Creas Impacto, Archival data). • 'What we are doing is highlighting the need of a more systematic and serious approach to data management – collection and management –' (I02, Social entrepreneur). • 'Our idea with big data is to build a database with all the income that each family receives, both monetary and in kind […]. The goal is to make a balance sheet or profit and loss account of the relation between a family and the state' (I04, Civil servant).
		Increasing rigour	• 'There is a level of rigour that is demanded from all parties to generate this trust that is not common practice in social services, in public procurement, with NGOs, and so on' (I02, Social entrepreneur). • 'The alternative was to focus on historical data, but we're going to work on employment. […] I think it's important to use a control group that lives the same economic situation' (I03, Social entrepreneur).

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Appendix A. (Continued)

Aggregate dimension	*Second-order construct*	*First-order code*	*Data examples*
	Defining new incentives	Introducing specific impact objectives	• '[SOCs link] their action to measurable results, being based on evidence when making decisions' (I10, Foundation). • 'What we're saying is that there are going to be triggers of payment for every single thing that we achieve here' (I03, Social entrepreneur).
		Setting an impact carry	• Creas Impacto calculated the success fee (carried interest) earned by the managers using a formula that included several impact metrics (FN). • Gawa Capital made its financial returns conditional on the outcome of 25 impact metrics (FN).
Redefining governance structures	*Changing organizational priorities*	Establishing new rules and norms	• 'We started elaborating, first, new investment principles and then a new investment policy, with an emphasis on having everything well documented' (I24, Foundation-Asset owner). • 'Many natural resources are not being "managed" because they don't appear in the P&L or balance sheets of organizations […], and impact needs to be managed as you manage other KPIs' (FN45). • 'MBAs and masters have more courses and labs about social entrepreneurship and such things. […] they try that their students create businesses that are more impact-oriented or have a purpose' (I48, Consultant-Big Four).
		Investors want to measure impact	• 'We have a supervision committee with the main investors of the fund, and they have to approve our impact metrics' (I42, Impact investor). • 'It is a strategic positioning. We want to align our wealth management with our social objectives' (I24, Foundation-Asset owner).
		Social enterprises need to measure impact	• 'Social organizations now say, "I need to measure impact, otherwise I cannot do fundraising"' (I44, Industry association). • 'Right now, social organizations are designed to win tenders. […] They will have to innovate and reorient their processes not to win tenders but to justify their action through impact measurement' (I14, Social sector organization).

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Appendix A. (Continued)

Aggregate dimension	*Second-order construct*	*First-order code*	*Data examples*
	Defining new roles	Changing roles of financial actors	• 'In general, the funds that are becoming interested in this type of products are in it for the impact […], not so much as looking for 20 per cent returns or things like that' (I17, Impact investor). • 'We come from the world of investing in alternative assets, like private equity. […] In 2018 we decided to launch a fund focused on social impact, which is taking its first steps' (I23, Impact investor). • 'We have incorporated both parts. You need to save money so that the SOC pays for itself but, at the same time, the kids that are in the program need to improve their situation' (I09, Impact investor).
		Changing roles of public administrations	• 'The European Social Fund is working with unitary costs, and more and more public administrations are working with unitary costs' (FN08). • 'In the last four years, the city council has made a very important effort in transparency. There is a website called "Open Data" where the city council uploads all the information' (I11, Politician). • 'Here is where things start to get complicated. […]. The city council is not the only administration with competences over this issue, so we have started conversations with the regional government, because the challenge is how to finance it' (I06, Civil servant).
		Changing roles of social sector organizations	• 'I think that public administrations should be stricter in financing those proposals that really can demonstrate an impact, and not providing funding that is only in the short-term' (I09, Impact investor). • 'I think that this orientation towards impact as the main driver of decision-making […] is an important step forward for social sector organizations' (I15, Social sector organization).

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