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Speciation in Nascent Markets: Collective learning through cultural and material scaffolding

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Abstract

The construction of market infrastructure is a key component of market formation. In this article, we explore when and how this process leads to the fragmentation of a nascent market. We study the emergence of new markets in the context of social and impact investing in the United Kingdom during the period 1999 to 2019. We identify a recursive process of building the cultural and material infrastructure of the market, which we label cultural and material scaffolding, that drives collective learning by envisioning alternative futures and conducting institutional trials. We show how this scaffolding process explains the split between the social investment and the impact investment markets, which we theorize as market speciation. We identify two scope conditions under which we expect speciation to occur: field overlap and material anchoring. The paper contributes to the literature on market formation, and to the empirical understanding of how social and impact investment have emerged.

Keywords

impact investing, social investment, social enterprise, market, infrastructure, pragmatism, economic sociology

Introduction

Why do nascent markets sometimes splinter into multiple markets? Our study of the social investment market in the United Kingdom provides an interesting vantage point to address this question, because of its pioneering role and the interest generated among investors, social sector

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organizations and policy makers. A fledgling market providing financial capital with the dual objective of financial and social returns had started to develop in the UK since the early 2000s thanks to strong support from the government. By 2019, this market had evolved into two distinct segments. The 'social investment' market was concerned with 'providing access to repayable capital for social sector organizations' (Daggers & Nicholls, 2016, p. 6), while 'impact investment' mostly focused on 'investments made in companies or organizations with the intent to contribute measurable positive social or environmental impact, alongside a financial return' (Gregory & Volk, 2020, p. 1). This market formation process played a pioneering role in the global development of impact investing and enabled us to theorize about the collective learning that takes place in the process of building market infrastructure.

Market and field formation develop through different pathways that lead to more aligned, fragmented, or contested scenarios (Micelotta, Lounsbury, & Greenwood, 2017; Zietsma, Groenewegen, Logue, & Hinings, 2017). A central aspect in the emergence of new markets is the building of market infrastructure (Aldrich & Fiol, 1994; Hinings, Logue, & Zietsma, 2017; Lee, Struben, & Bingham, 2018), without which nascent markets are bound to fail (Ozcan & Santos, 2015). However, during its early stage, most market structures are temporary (Hannigan & Casasnovas, 2020; Lounsbury, Ventresca, & Hirsch, 2003). Thus, it is important for institutional theorists and economic sociologists to understand how and when this market infrastructure is consolidated, discarded or repurposed over time (Hehenberger, Mair, & Metz, 2019; Mair & Hehenberger, 2014; Schneiberg, 2007).

We study the process of market creation in the context of the emergence of social and impact investing in the UK between 1999 and 2019. Over that period of time, we identify a recursive process of building the cultural and material infrastructure of the market. We find that, in 2013, the market started to fragment into two distinct – social investment and impact investment – sets of market infrastructure. Our analysis explains this outcome as the result of a process of collective learning, by which market actors understand what works, and for whom, and their resulting actions shape the emerging market in different directions.

In our theoretical model, we conceptualize the building of temporary cultural and market infrastructure that enables collective learning as scaffolding (Ansell, 2011; Mair, Wolf, & Seelos, 2016). We define *cultural scaffolding* as the process of building the temporary field frame of the market, which attracts new actors by envisioning alternative futures that open new opportunities. We define *material scaffolding* as the process of building material elements such as regulation, intermediary organizations and market tools, that act as a form of institutional 'trials', shaping the development of the market. Both processes, in line with the pragmatist emphasis on evolutionary learning (Ansell, 2011), create opportunities for the actors involved to collectively learn how to better address the problems they face. As aspirational field frames are translated into concrete practices, actors will reflect on their consequences, and re-evaluate their membership in the market-building effort. We theorize the split we observe in the social and impact investment markets as *market speciation*, an evolutionary mechanism through which a nascent market gives place to two new, distinct markets. We also identify two boundary conditions for this process, field overlap and material anchoring, and contrast them with other recent studies on field emergence that saw different outcomes (Grodal & O'Mahony, 2017; Hehenberger et al., 2019).

We contribute to the literature on market formation (Lee et al., 2018; Lounsbury et al., 2003; Santos & Eisenhardt, 2009) by suggesting how cultural and material scaffolding enable collective learning, and improve our empirical understanding of social and impact investing markets. In this sense, we suggest that the different types of language and practices in this field are not a random accident, but rather the result of various stages of collective learning that include the reinterpretation of field frames and the repurposing of material structures.

Theory Background

Building cultural and material infrastructure in market emergence

For economic sociologists, markets are 'arenas of social interaction' (Beckert, 2009, p. 248) where actors voluntarily exchange goods and services, and as such they can be studied as fields (Beckert, 2010; Quinn, 2008), which are characterized by the recurrent interaction among their members and a shared system of meanings (DiMaggio & Powell, 1983; Scott, 1995). Understanding how new markets and fields emerge is important for economic sociologists and organization theorists (Lounsbury et al., 2003; Padgett & Powell, 2012), as those early stages of formation are crucial for determining the features and boundaries of new markets (Santos & Eisenhardt, 2009). Institutional theorists have suggested different pathways of field formation and institutional change (Micelotta et al., 2017; Zietsma et al., 2017), pointing out that the development of institutional infrastructure is a sign of early issue fields becoming 'exchange fields' with more stable and specific infrastructure (Hinings et al., 2017).

Market infrastructure includes both cultural and material elements (Lee et al., 2018; Van de Ven, 1993), both of which are analytically distinct but also closely interconnected (Friedland & Alford, 1991). The cultural infrastructure refers to the 'systems of meaning' (Mair, Martí, & Ventresca, 2012, p. 826) that are shared among and constructed by market participants, which serve as schemata for interpretation and guide for action (Leibel, Hallett, & Bechky, 2017). In nascent fields, these cultural structures are often referred to as 'field frame' (Lounsbury et al., 2003), a 'jointly constructed cultural template within an institutional field that, when it settles, provides the basis for socio-economic change' (Cornelissen & Werner, 2014, p. 185). Material structures refer to the new practices, artifacts, intermediary organizations and specific regulation that support market activity in the new field (Lee, Hiatt, & Lounsbury, 2017; Slager, Gond, & Moon, 2012; Van de Ven & Garud, 1993).

Despite growing attention to the early stage of new markets (Lee et al., 2017), the process of building market infrastructure remains an important question of study (Lee et al., 2018; Mair et al., 2012; Struben, Lee, & Bingham, 2020). Aldrich and Fiol (1994) emphasized the role of cultural infrastructure, distinguishing cognitive and sociopolitical legitimacy as key elements in the emergence of new industries. For them, intra-industry cognitive legitimacy is achieved by 'developing a knowledge base [that encourages] convergence around a dominant design' (Aldrich & Fiol, 1994, p. 649), which becomes an important part of the cultural infrastructure of the new market. Hehenberger and colleagues (2019) show how the dominant field ideology in the impact investing market was shaped by different mechanisms that suppressed alternative ideas and beliefs.

Others focus more on the material infrastructure. Van de Ven and Garud (1993) highlighted the role of material elements, such as resource endowments, institutional arrangements and technical economic activities (and their reciprocal relation) in processes of industry development. Ozcan and Santos (2015) highlighted the importance of developing material infrastructure in nascent markets by looking at the failed case of mobile payments. In their study, also at the intersection of different fields, they show how disagreement over the market architecture hindered the collective development of market infrastructure. On this line, Lee and colleagues (2018) offer an insightful framework to address the puzzle of the collective building of market infrastructure, based on whether market actors perceive that their contributions to build infrastructure will yield returns, whether they can appropriate those returns, and whether the contributions are easily substitutable.

Ambiguity and multivocality in market formation

Much of the research above acknowledges the ambiguity in the early phase of market creation, but they do not analyse specifically how that ambiguity affects the building of market infrastructure. However, the lack of clarity around product definitions, organizational identities and industry structure that is characteristic of the early stages of market formation suggests that the returns of individual and collective contributions are not always clear *ex ante* (Beckert, 2009; Santos & Eisenhardt, 2009). Ambiguity refers to 'vagueness in precise meaning' (Gioia, Nag, & Corley, 2012, p. 366) and 'the coexistence of two or more distinct ways of interpretation' (Sgourev, 2013), therefore making it difficult to envision future scenarios (Beckert, 1996). A theory of market emergence under ambiguity, thus, should not explain away these differences in worldview and interpretations, but rather explain how action is possible despite, and in some cases enabled by, that ambiguity (Cohen, March, & Olsen, 1972; Gioia et al., 2012). While research on market categories has pointed out that ambiguous labels can hinder market emergence (Navis & Glynn, 2010; Ozcan & Santos, 2015), we want to explore how this lack of clarity influences the process of building market infrastructure (Chliova, Mair, & Vernis, 2020).

Sociologists and organization theorists have suggested that ambiguity might actually be beneficial for collective action. Ambiguity is a characteristic of multivocal inscriptions, which are utterances, concepts and artifacts that can sustain different interpretations and evaluative criteria (Ferraro, Etzion, & Gehman, 2015). In this paper, we will consider field frames as a multivocal inscription, as they are jointly constructed by various actors in the field and 'provide abstract scripts and rules for appropriate behaviors' (Cornelissen & Werner, 2014, p. 185). The multivocality of field frames helps mobilize action across political divides, but it is not enough to ensure that the market-building process will be effective. Indeed, it has been suggested that the multivocality of these frames might actually backfire in later stages of the process. Grodal and O'Mahony (2017) show that, in the case of nanotechnology, diverse field participants mobilized under and subscribed to a multivocal goal, but did not abandon their underlying interests: a process they called *goal grafting*. They argue that as they move from discourse to action, differences in interests will loom larger and actors will retrofit their activity by relabelling it through the new challenge, and activity will be channelled through existing field structures and vehicles. Ultimately 'the goal of the grand challenge is supplanted by near-term goals in existing domains', and the original ambition of the new field just fizzles out (Grodal & O'Mahony, 2017, p. 1819; see also van Wijk, Stam, Elfring, Zietsma, & den Hond, 2013).

This tension between multivocal field frames that help mobilization of diverse actors, and the natural tendency of actors to continue to act following the existing normative, political and identity elements of the fields involved matter greatly for market creation and can lead to different outcomes such as dilution (Grodal & O'Mahony, 2017) or suppression (Hehenberger et al., 2019). Given the market split that we observe in our empirical setting, we ask: *When and how does the process of building infrastructure in a nascent market lead to fragmentation?*

Methodology

We leverage the case of the emergence of the UK social and impact investment markets to explore the process of building cultural and material market infrastructure. Doing an in-depth qualitative study of a single case allows us to delve into the mechanisms of the particular process (Yin, 1984). Social investment provides a great context because it has arisen at the intersection of the social, financial and public sectors (Nicholls, 2010), and hence its intrinsic complexity emphasizes the

Table 1. Differences between social investment and impact investment.

	Social investment	Impact investment
Origin	UK – Social Investment Task Force, 2000	United States – The Rockefeller Foundation, 2007
Geography	Domestic	International (often developing countries)
Source of legitimacy	Asset lock (investees cannot freely distribute dividends)	Impact measurement (investees need to demonstrate how they are improving society)
Investors	Government, foundations, and private investors	Mostly private and institutional investors, also foundations
Investees	Social sector organizations	Funds and for-profit impact businesses
Key field actors	Big Society Capital, social investment funds, networks of charities and social enterprises	Global Impact Investing Network, institutional investors, large asset managers
Financial instruments	Bank lending, social impact bonds, patient capital	Private equity, debt, quasi-equity

need for cross-sector partnerships and collaboration, which are often enabled by different types of market infrastructure.

Research context

The practice of investing with the objective of achieving financial returns together with a positive and measurable social impact (Höchstädter & Scheck, 2015) has attracted significant interest from policy makers, investors and social sector organizations around the globe since 2010 (Spiess-Knafl & Achleitner, 2012). While the terms used to describe this practice differ depending on the country and the period, we use the two terms that were more common in the UK during the period of our study: social investment and impact investment (Hannigan & Casasnovas, 2020). As we summarize in Table 1, the label 'social investment' was born in the UK and refers more specifically to providing repayable finance for social sector organizations (Daggers & Nicholls, 2016), defined by Big Society Capital as those that 'exist wholly or mainly to provide benefits for society or the environment' (Big Society Capital, 2018), which include registered charities and community interest companies. These organizations had an 'asset lock', which means that they had limitations to the distribution of profit. Social investment, thus, has been primarily practised in the UK with a focus on domestic investments and the government has been one of the main providers of funds through various intermediaries.

The label 'impact investment' appeared in the United States in 2007, when the Rockefeller Foundation brought together actors from different sectors with the objective of leveraging financial markets to work towards impactful solutions to some of society's global challenges (Harji & Jackson, 2012; Hehenberger et al., 2019). In the intention of the promoters, this market was 'born global', and the launch of the Global Impact Investing Network (GIIN) in 2009 helped spread the idea that institutional investors should include impact creation in their investment decisions. The term and the argument, which was that this could be done without sacrificing financial returns by investing in for-profit firms with a social or environmental mission, was embraced by many influential actors such as the International Finance Corporation and the Global Sustainable Investment Alliance.

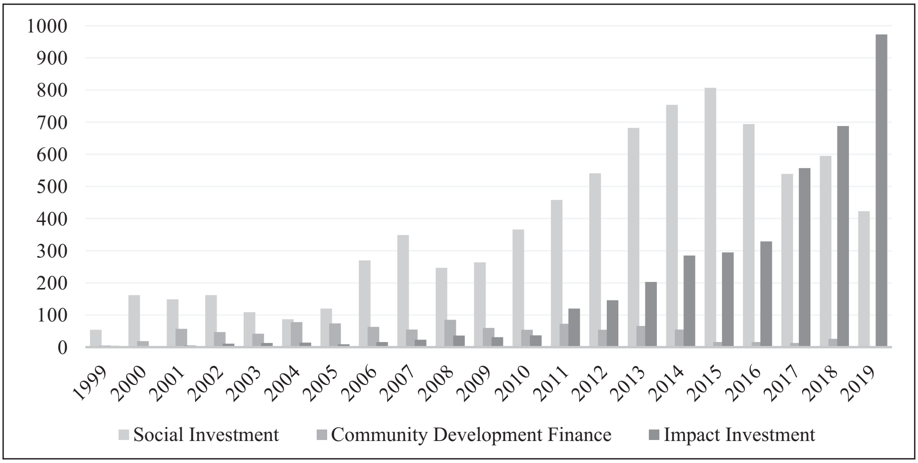

Figure 1. News about social investment and impact investment, UK 2000–2019.[1]

The idea of achieving positive social impact through investment practices is not new (Sepulveda, 2015), but after 2000 the UK experienced an increase in this type of activity that included some novel traits: the driving role of the government and other mainstream actors, the centrality of impact measurement, and the development of specific market infrastructure.

The focus of the study is hence between 1999, when social investment was still not a relevant topic in the public discourse, and 2019, to include the latest developments that have configured the social and impact investing markets in the UK at the time of writing the paper. Figure 1 captures the increasing importance of these practices (while others such as community development finance did not take off), with peaks in interest that confirm the central role of the Social Investment Task Force (SITF) in 2000, the Commission on Unclaimed Assets in 2006–2007, the launch of Big Society Capital in 2012, and the G-8 Social Impact Investing Task Force in 2013–2014. The industry reports analysed often included visual graphs starting in 2000, and informants also gave important cues about 2000 being a central year for understanding the early days of the field: 'If you look at the whole history of how the market has developed, you go right back to the Social Investment Taskforce' (I22, Advisor).

Data collection

Data was gathered over the period 2012–2019, with more intense data collection between 2013 and 2015, which were key years in the formation of the social and impact investing markets in the UK (see Table 2 for a summary of the data sources).

We conducted 45 semi-structured interviews, most of which were recorded and transcribed and lasted between 45 and 75 minutes; 35 interviews were carried out with different types of intermediary organizations, ranging from social investment funds (SIFs) to industry associations, exchange platforms and advisors. Considering the size of the field at that point, it included a large proportion of the main actors. The rest of the interviewees worked for other relevant market actors such as social enterprises, foundations, or government agencies. The diversity of the people interviewed, together with the centrality of their organizations and the seniority of the individuals (many of them had worked in this space since its early days, and often in more than one organization), provided us with a wide spectrum of activities and perspectives on the development of the social investment market and allowed continued triangulation.

Table 2. Data Sources.

Source	Amount	Examples
Interviews	45	• Social investment fund managers • Trade associations • Social enterprises • Government • Advisors
Archival data	90 reports (4,000+ pages)	• *Enterprising Communities: Wealth Beyond Welfare* (2000, 2003, 2005) • *Equity-like Capital for Social Ventures* (2004) • *Financing Civil Society* (CAF, 2008) • *Growing the Social Investment Market: Landscape and Impact* (City of London, 2013) • *After the Gold Rush* (2015)
Participant observation	150 hours	• Good Deals conference • Skoll World Forum • Ethex Annual Gathering
Other sources	n/a	• G-8 Task Force webinars • Seminars and lectures • Blogs and newsletters • Social media

The core of the archival data consisted of 90 reports (+4000 pages) published in the UK between 2000 and 2016 and which describe different aspects of the development of the social investment market: the growth of demand and supply, organizational strategies, new products and services, best practices, historical accounts, public policies, etc. The first author also attended different field events between 2012 and 2016, such as industry conferences, seminars and workshops (150 hours). Finally, online sources such as organizational websites, interviews in the media, blogs, webinars and social media have been important for keeping up-to-date with the developments of the market and to confirm or extend some of the arguments given by the interviewees.

Data analysis

The analysis of the data followed an inductive approach, going back and forth between data and extant theory to understand how our findings could contribute to theoretical conversations around market formation (Langley, Smallman, Tsoukas, & Van de Ven, 2013). The language of *building* a market (market championing, market infrastructure, market intermediaries) was very present in the interviews and industry reports, and hence the initial coding of the interviews, reports and field notes was carried out by the first author with the idea of exploring how the process of building a social investment market had taken place.

Once we saw the benefits of applying a pragmatist lens, our aim was to understand the *process* of market formation rather than seeing the market as an end goal (Beckert, 2010). For this, we used a temporal bracketing strategy, which "offers interesting opportunities for structuring process analysis and sensemaking' (Langley, 1999). Analysing the meanings of what market participants understood as being social or impact investment, we distinguished three different phases, which are summarized in Table 3. The three phases served well as comparative units of analysis, as they allowed us to look at the similarities and differences among them. In each of

Table 3. Data Analysis – Periodization of the Formation of the Social Investment Market in the UK (1999–2019).

Phase	From ambiguity to Big Society Capital 1999–2012	An emerging impact investment market 2013–2019	The social investment 'resistance' 2013–2019
Starting point	Pre-existing financial, public and social sector infrastructure, but lack of specific social investment infrastructure	Current market infrastructure does not cater for the needs of most impact investors	Current market infrastructure does not cater for the needs of most social sector organizations
Brief description / main events	- Social Investment Task Force brings together actors from social, financial and public sectors - Commission on Unclaimed Assets recommends establishing a social investment wholesaler	- Impact investing emerges as a global trend for including and measuring 'impact' as a new variable in investment decisions - The structure of UK's social investment market cannot attract institutional investors	- Criticism from the social sector targets BSC because its funding does not reach small social sector organizations (which were supposed to be the recipients of those public funds) - Policy interest in social investment decreases
Reinterpreting cultural infrastructure	***A new market for social investment*** ✓ Financial, social and public sector actors experiment with new ways of combining financial returns with social impact ✓ Social investment is promoted as a solution for addressing social sector financial needs	***Impact investing as a global trend*** ✓ Impact investing is categorized as an investment strategy within the sustainable investment world ✓ The UK NAB and other 'taskforces' turn attention to larger pools of resources of impact investment	***A more inclusive social investment market*** ✓ The Alternative Commission on Social Investment helps the private criticism on BSC to become more public ✓ Social investment is seen as a means to an end (strengthening the social sector)
Repurposing material infrastructure	***The Big Society Capital model*** ✓ Public funding is used to launch Big Society Capital as market champion and investor ✓ Social investment funds and other intermediaries are set up following BSC's criteria	***Impact investing infrastructure spins off*** ✓ The impact investing community builds impact measurement and management tools adapted to their needs ✓ Conferences and industry associations appear that directly address the needs of large impact investors	***Adapting social investment infrastructure*** ✓ The Access Foundation is launched to use BSC resources as blended funding that includes loans and grants ✓ Conferences like Good Deals are repurposed to focus on the needs of smaller social sector organizations

BSC, Big Society Capital; UK NAB, National Advisory Board on Impact Investing these phases, two of which were overlapping, we identified the creation of cultural and market infrastructure, with the former preceding the latter. Building cultural infrastructure was about raising awareness and creating new meanings, while building material infrastructure was about launching government interventions or other intermediary organizations that put those ideas into practice. Figure 2 summarizes the material infrastructure (commissions, regulations, government support, intermediaries) built over these two decades, which shows the breadth and depth of the collective market-building efforts. While reviewing the codes and the data during meetings between the two authors, the collective learning theme became more and more apparent. In this sense, we noticed that cultural infrastructure was related to opening new possibilities and expanding horizons, while material infrastructure brought in constraints associated with organizational structures and interorganizational relations. This led to the last stage of the data analysis process, where we revised our coding and empirical materials in search of instances of what was being learned in each phase, how it was learned, and what were the consequences on the market. Data around experimentation, flexibility, new approaches, constraints, exploration, or repurposing enabled us to unpack the collective learning process and identify its different mechanisms.

We also used the technique of visual mapping (Langley & Truax, 1994; Miles & Huberman, 1994) to make sense of the relation between the different actors and events, the process of building infrastructure, and the process of field-level learning, which helped us understand the growth of the market, the collective learning, and its eventual split. In this process of abstraction from our case to more general insights about market emergence, we compared our findings with other related studies (Grodal & O'Mahony, 2017; Hehenberger et al., 2019). This led us to emphasize the split in the market and describe the scope conditions that led to the outcome of *market speciation*.

Findings

In this section, we report the key findings of our study by accounting for the main developments of the market in each phase and their relation to the process of collective learning (see Figure 3 for a summary). In each phase, we show how the recursive construction of cultural and material infrastructure, which we theorize as *scaffolding*, enables a process of collective learning that results in the fragmentation of the market. In our data we can identify two distinct types of infrastructure construction processes: the *reinterpretation of cultural infrastructure*, which reframes and redirects existing roles and meanings, and the *repurposing of material infrastructure*, which refers to the reorientation of practices and artifacts in line with the novel direction identified in the first process. In this section we describe two cycles of this process, showing how they enable collective learning, and in the following section we theorize this and explain how it might lead to speciation.

The starting point of our analysis is 1999, a year before the Social Investment Task Force (SITF) was established. By that time, as Figure 1 shows, 'social investment' was not a term that people used. Yet a variety of investment practices that combined social and financial aims already existed: similar practices included community development finance institutions (CDFIs) doing financial inclusion, banks doing community investment in deprived areas, and institutional investors moving towards socially responsible investment (SRI) in their investments in public equities. These practices started to touch upon some of the characteristic features of social investment (financing social sector organizations, combining financial and social returns, brining 'impact' considerations into the mindset of investors, etc.), but there was not a unified discourse let alone a common market infrastructure.

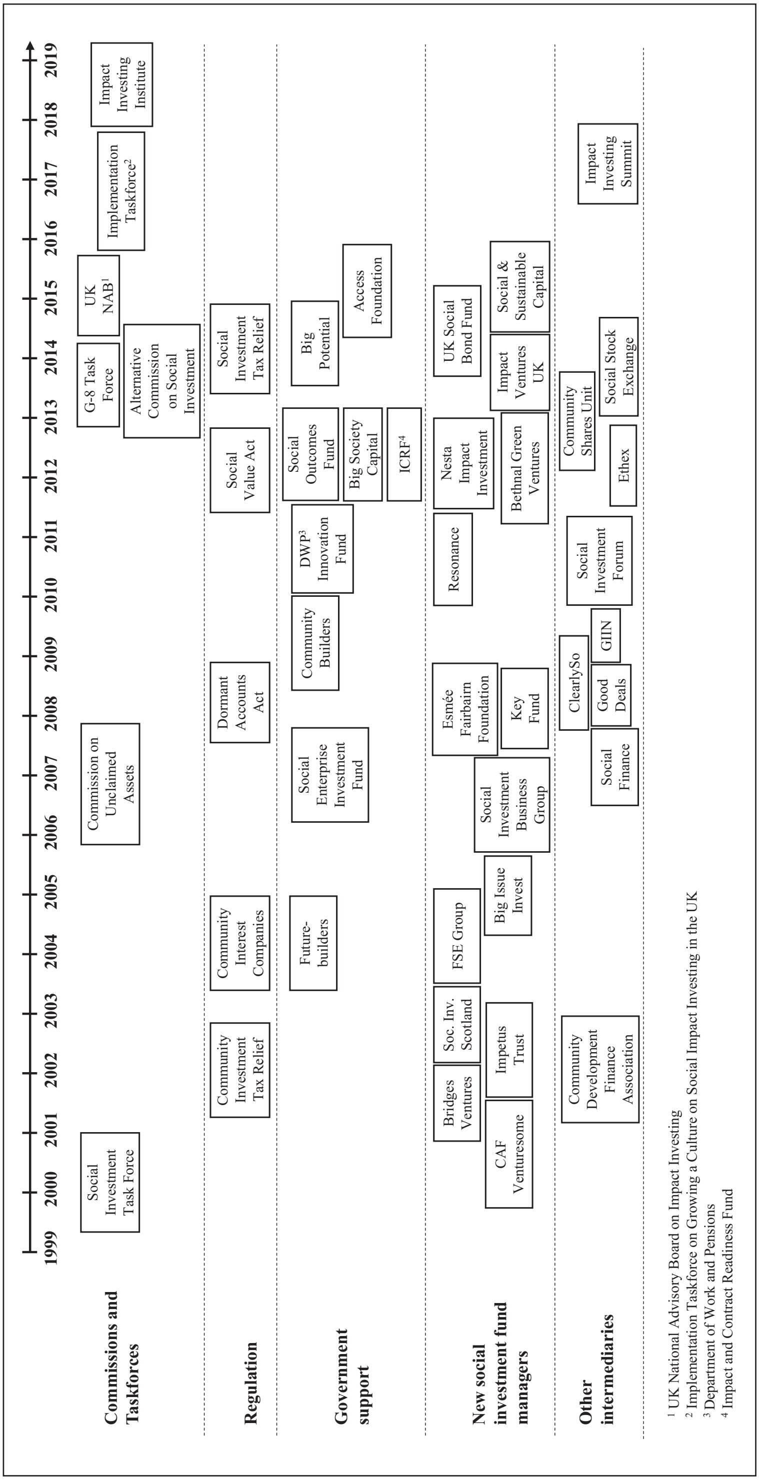

Figure 2. Chronology of the development of material market infrastructure for social investment, UK 2000–2019.

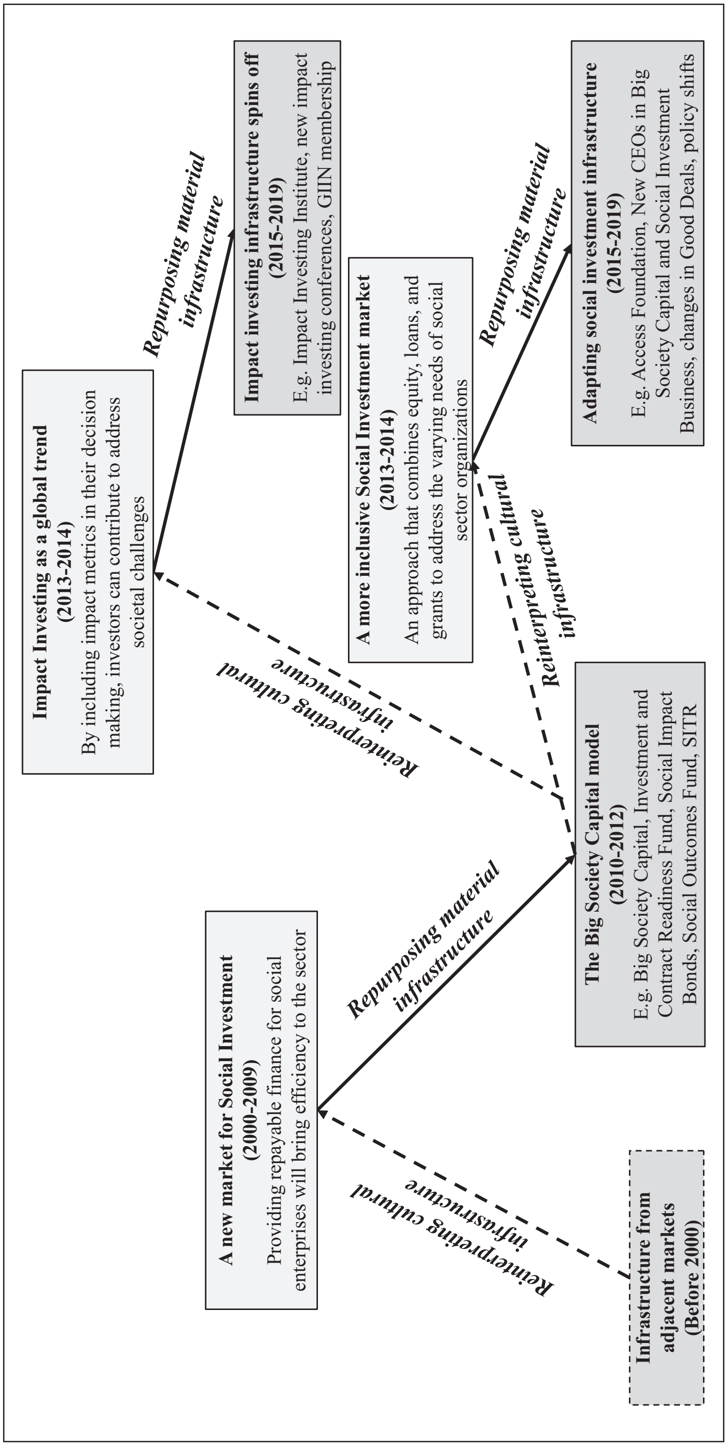

Figure 3. Building cultural and material market infrastructure in the UK social investment context.

From ambiguity to Big Society Capital

Reinterpreting cultural infrastructure: A new market for social investment. The lack of market infrastructure that was specific for social investment meant that interested parties had to build on the resources and infrastructure of the social, financial and public sectors. This is reflected, for example, in the composition and recommendations of the SITF. Its members were individuals from the private equity industry, SRI investors, charitable foundations, public administrations, and well-known entrepreneurs, and its recommendations were mostly geared towards community investment, bank transparency, and CDFIs.

The remit of the SITF was:

> To set out how entrepreneurial practices *can be applied* to obtain higher social and financial returns from social investment, *to harness new talents and skills* to address economic regeneration and *to unleash new sources* of private and institutional investment. In addition, the Task Force should *explore innovative roles* that the voluntary sector, businesses and government could play as partners in this area. (Social Investment Task Force, 2000, p. 3, emphasis added)

The verbs used to state the mission of SITF (*exploring, unleashing* and *harnessing)* emphasize the need to redirect the traditional use resources (human and financial capital) towards the practice of social investment. Envisioning these new roles for public, social and business actors opened up the possibility of collaboration and of starting new initiatives (funds, financial instruments, research projects) within the broad social investment space.

Over the following years, different initiatives moved the emerging field from its initial ambiguity to a common understanding of social investment and its associated practices. This was driven by actors (private equity firms, foundations, public administrations) experimenting with different types of funds and financial instruments (venture capital, social bank lending, venture philanthropy, concessionary lending), who *reinterpreted* existing practices, imbuing them with new meanings, and explored new scenarios that could be beneficial for their own goals and interests.

Yet, by 2005, there was 'no common understanding of the terminology surrounding programme-related investment or social investment' (Social Investment Task Force, 2005) because there was a mix of terms (ethical finance, blended value investing, positive investing, community development finance. . .). Figure 1 reports the appearance of the key terms in the media, where we can see how 'social investment' and 'community development finance' had similar visibility by 2004, but then the former took off and the latter fizzled out. Towards the end of the decade, it was 'social investment' that prevailed in most reports, events and policy documents.

Paired with the Labour Party's 'Third Way' approach of leveraging the market economy to serve social purposes, the vision of a new market for social investment that would provide repayable finance to strengthen the social sector gained relevance and traction by the end of the decade. Among the actors in the nascent market, the feeling was that by 2009 there was finally a shared understanding about this alternative approach to financing the achievement of social goals.

The combination of investment and philanthropy remained in question during those early years. As a social investor mentioned, '[we] weren't really publicly celebrated or accepted until 2007 (. . .) it took five years of deal happening before you didn't feel guilty about doing [social investment]' (Interviewee #14, SIF). However, despite the initial questioning, by 2010 actors from different backgrounds had accepted the new vision promoted by social investment, identified as providing innovative repayable finance to the social sector, and felt that they belonged to a common field.

Repurposing material infrastructure: The Big Society Capital model. Having an initial common vision about what social investment was and its potential to finance the social sector enabled the mobilization of resources towards building the regulatory, intermediation and support structures that were needed to put that into practice. Big Society Capital (BSC) was at the centre of these institutional building efforts. Funded by repurposing resources from 'unclaimed assets' through the Dormant Accounts Act and from commercial banks through the post-financial crisis Merlin Agreement, BSC had £600 million (three times the size of the market at that point) to 'experiment' by investing and being a 'market champion' (Interviewee #6, SIF) for social investment.

Even though BSC was not launched until 2012, the years before that were already marked by its future presence. As one informant mentioned, 'this was the time before Big Society Capital had been formed, but where people knew that it was on the way, so there was quite a lot of interest' (Interview #22, advisor). For example, the Department of Work and Pensions launched a £30m fund in 2011 to finance social impact bonds; Bridges Ventures raised new funds in 2009, 2011 and 2013; and two former investment bankers launched Social and Sustainable Capital (2014) to invest in social sector organizations.

Those years also saw the launch of new pieces of the material infrastructure: the first social impact bond by Social Finance (2010), capacity-building funds (Investment and Contract Readiness Fund, 2012; Big Potential, 2014), new regulation (Social Value Act, 2012; Social Investment Tax Relief, 2014) and the Social Investment Forum (2010) as the trade association for social investors. This support infrastructure helped put social investment into practice, but also created opportunities to learn about its benefits and limitations. For example, social impact bonds appeared a valuable tool but difficult to scale for large investors to allocate funds in them, and the social investment tax relief was criticized for being 'poorly designed to support the specific needs of charities and social enterprises looking to take on risk finance' (Floyd, 2018, p. 22).

This infrastructure created material constraints for potential investors and investees. For example, if social investment fund managers wanted to receive funds from BSC, they had to limit their focus to social sector organizations, because that was the mandate of the wholesaler fund, and they were pushed to charge interests often above 6% (because BSC would provide funding expecting a 4% return). Social sector organizations also experienced these narrowing of the market boundaries, complaining that this version of social investment was only helpful for a small minority of social enterprises, while the rest required more flexible access to capital.

An emerging impact investing market

Reinterpreting cultural infrastructure: Impact investing as a global trend. The Global Impact Investing Network (GIIN) was created in 2009 with the support of the Rockefeller Foundation and JP Morgan in order '*to build market infrastructure*' (O'Donohoe, Leijonhufvud, Saltuk, Bugg-Levine, & Brandenburg, 2010, p. 17). Its goal was to encourage large asset owners and managers to allocate more capital towards the pursuit of social impact objectives, and thus towards impact investing. In the meanwhile, large institutional investors were starting to move from the integration of environmental, social and governance criteria (ESG investment) towards aiming directly for social 'impact'.

JP Morgan published an iconic report in 2010 (O'Donohoe et al., 2010), which started to garner attention and painted a future where impact investing could be compared to real estate, venture capital and other 'asset classes'. In 2013, under the presidency of the UK, the G-8 also helped put impact investment onto the agenda by establishing the Global Social Impact Investing Taskforce, which encouraged those countries to create national advisory boards for impact investing. This taskforce, chaired by Sir Ronald Cohen, a successful private equity investor who came from the core of the financial industry and co-founded one of the most successful impact investing funds, was later renamed the Global Steering Group on impact investing (GSG), and up to 23 countries had joined by 2019. The UK was a key player in this process, precisely because of the market infrastructure that it had developed around the Big Society Capital model. The involvement of the public sector and some of its pioneering initiatives (the social impact bonds, funds like Bridges Ventures, to which BSC contributed) were seen as 'best practices' in the emerging field.

In the UK, the new discourse around impact investing (see Figure 1) gained traction after the launch of the G-8 taskforce: 'The whole GSG infrastructure that evolved after that, has been significant (. . .) to raise its profile within the mainstream financial services sector' (Interview #37, SIF). When those financial actors evaluated whether the UK social investment market was achieving its goals, their implicit reflection was that a local, small-scale version of social investment was not enough to address global challenges. This was also made explicit by Cohen: 'As philanthropists and governments struggle to bring improvement at scale to the lives of those left behind (. . .) this new model inspires us to maximize profit and impact' (Cohen, 2018, pp. 16–17).

Large asset owners and managers understood that the market they wanted to build was not compatible with the reality of funding social sector organizations, which created a 'very strong need to segment the market' (Interviewee #18, industry association). For example, a fund manager launched a new fund that 'was very much driven towards financial return to give investors a 20% IRR, which is very high in the (. . .) industry, but at the same time with societal impact' (Interview #45, SIF). To many insiders in the development of the field it became clear that impact investing was evolving into something qualitatively distinct from social investment:

> That sort of thing which is kind of a split-off from the social investment market, it's more the sort of the upper tier of impact investing, blending into stuff like ESG [investments that integrate Environmental, Social, and Governance criteria] and other responsible investments and that kind of thing. It's a very different thing from the kind of access to finance for charities and social enterprises. (Interview #36, social entrepreneur)

In fact, international associations such as the Global Sustainable Investment Alliance and Eurosif included the category of 'impact investing' in the surveys to their members since 2012, and this new vision of impact investing helped attract new actors including institutional investors and high net worth individuals and their wealth managers: as 'people started to glam onto it (. . .) organizations like UBS and Credit Suisse, and Morgan Stanley were getting requests from their private clients' (Interview #20, industry association).

Repurposing material infrastructure. Impact investing infrastructure spins off. The new vision of an impact investing market helped attract resources from large investors, and it soon translated into another cycle of repurposing material infrastructure. Now part of this infrastructure was global (GIIN, GSG, Impact Management Project), where British actors such as Bridges Ventures, Social Finance and Ronald Cohen himself played an important role. Others were UK-specific, for example the Impact Investing Implementation Task Force, which 'was set up (. . .) to try to encourage financial institutions to develop more impact investing products, so it's much more sort of the mainstream finance becoming a bit more impactful' (Interview #37, SIF). As part of the repurposing of the market infrastructure, this taskforce merged with the UK National Advisory Board on Impact Investing in 2019 to form the Impact Investing Institute. The purpose of this new organization was 'to provide a focal point for impact investing in the UK to accelerate the potential for finance to address social challenges' (Impact Investing

Institute, 2019), and its four key objectives revolved around making it easier for investors to move towards impact investing.

While some of these organizations still used the language of 'social impact investing' around 2013, the split between the two segments of the market became clearer over time. For example, in its report on the size of the market, Big Society Capital clearly distinguished in a 2 x 2 matrix between narrower versions of social investment (where both investors and investees have a social intent) and impact investment (where only investors have a social intent), and only reported detailed figures on the former segment (Big Society Capital, 2016). Consistent with this trend, our analysis of the professional background of the members in national commissions and taskforces (see Table 4) shows a clear transition, from a more balanced mix of social and financial backgrounds until 2013 towards a very polarized distribution and ultimately a split into two separate groups.

Another evidence of the division was the

> split in the conference circuit, so the top half of it (. . .) is all about engaging with institutional finance and expensive consultancy (. . .) that stuff has split off from Good Deals and there's now other conferences for that organized by people like The Economist, corporates, conference organizers who now charge much more money to sell to very different kinds of clients. (Interview #36, social entrepreneur)

The social investment 'resistance'

Reinterpreting cultural infrastructure: A more inclusive social investment market. During the years following the creation of BSC, social sector actors started to feel that, even though '[BSC] had the effect that they wanted it to have, which was to stimulate the market' (Interview #14, SIF), 'capital [was] not making its way to front-line social sector organizations' (Interview #32, SIF). However, precisely because of the central role that BSC played as investor and market champion – as one informant put it, 'You don't bite the hand that feeds you' (field note 13/02/2015) – many actors acknowledged that 'there was such a massive gap between what people were saying in private and the public face of the industry' (Interview #36, social entrepreneur).

The Alternative Commission on Social Investment, whose members were social entrepreneurs, financial intermediaries, advisors and academics that were insiders to some of the developments of the sector, published a critical report in 2014 to 'investigate what's wrong with the UK social investment market' (Alternative Commission on Social Investment, 2015), which criticized the exclusive focus on repayable finance. In this sense, many social sector actors advocated for a new approach to social investment, which could combine grants with repayable finance to better support those social sector organizations – often small or medium-sized local charities and social enterprises – that were being excluded from social investment. Even Nick O'Donohoe, chief executive officer of Big Society Capital and formerly at JP Morgan, 'was saying it's not possible to make investments of less than £250,000 without subsidy' (Interview #24, social entrepreneur).

The social investment market in the UK had arguably started as 'top-down from the point [of view] of the investor' (Davison, 2013), often being irrelevant for the bulk of social sector organizations: 'The very largest social enterprises for whom the common social finance market is probably the most appropriate (. . .) They do not represent the interest of, I would say, 95 per cent of the rest of the sector' (I22, Advisor). At a time when impact investing infrastructure was catering to the needs of large investors – 'I'm not sure it's been so significant in terms of the work of financing charities and social enterprises' (Interview #37, SIF) –, social sector activists and organizations envisioned a future social investment market that would target the needs of smaller social enterprises and charities.

Table 4. Members of the different commissions and taskforces.

Social Investment Task Force (2000)	Commission on Unclaimed Assets (2006)	UK National Advisory Board (from G-8 Taskforce) (2013)	Alternative Commission on Social Investment (2014)	Impact Investing Implementation Taskforce (2017)
Ronald Cohen (Apax Partners)	Sir Ronald Cohen (Bridges Ventures)	Nick O'Donohoe (BSC, JP Morgan)	David Floyd (Social Spider, Beanbags and Bullsh!t))	Elizabeth Corley (Allianz Global Investors)
		Bernard Horn (Social Finance)		
David Carrington (PPP Healthcare Medical Trust)	David Carrington (Consultant)	Cliff Prior (UnLtd)	Dan Gregory (Common Capital)	Jamie Broderick (UBS Wealth Management)
	Andrew Gowers (Lehman Brothers, Financial Times)	Daniela Barone Soares (Impetus-PEF)	Nikki Wilson	Will Goodhart (CFA Society)
Ian Hargreaves (Cardiff Univ, BBC, The Independent)		David Gregson (CRI)	Daniel Brewer – Resonance	
	Susan Hitch (Balance Foundation)	David Hutchison (Social Finance)	Martin Brookes	Amanda Young (Aberdeen Standard Investments)
Phillip Hulme (Computacenter – businessman & philanthropist)		David Royce (CRI)	Ged Devlin – Community Shares	
	Bernard Horn (Nat West Bank)	Dawn Austwick (Big Lottery Fund)		Olivia Dickson (Travers Smith)
	Ed Mayo (National Consumer Council)	Deidre Davis (Deutsche Bank)	Niamh Goggin – Small Change (NI)	Paul Druckman (International Integrated Reporting Council)
Geraldine Peacock (Guide Dogs for the Blind, Charity Commission, ACEVO, Skoll)		Geoff Mulgan (Nesta)	Mike Harvey – Candour Collaborations	
	Baroness Jill Pitkeathly (New Opportunities Fund)	Harvey McGrath (Big Society Capital)		
		James Perry (Panahpur)	Helen Heap – Seebohm Hill	Tony Stenning (BlackRock)
Joan Shapiro (South Shore Bank, Chicago)	Geraldine Peacock (Charity Commission)	James Vaccaro (Triodos)	Katy Jones – Clearly So	Sally Bridgeland (Avida International)
		Jim Clifford (Bates, Wells, Braithwaite)	Vibeka Mair – Responsible Investor	
Tom Singh (New Look – businessman & philanthropist)	Danielle Walker–Palmour (Friends Provident Foundation)	Johannes Huth (Impetus-PEF)		
		John Kingston (Association of Charitable Foundations)	Ian Marr – YMCA Scotland	

(Continued)

Table 4. (Continued)

Social Investment Task Force (2000)	Commission on Unclaimed Assets (2006)	UK National Advisory Board (from G-8 Taskforce) (2013)	Alternative Commission on Social Investment (2014)	Impact Investing Implementation Taskforce (2017)
		Jonathan Jenkins (Social Investment Business)	Julia Morley – Department of Accounting, LSE	
UK Social Investment Forum		Mark Boleat (City of London Corporation)	Alex Nicholls – Skoll Centre for Social Entrepreneurship	
New Economics Foundation		Michele Giddens (Bridges Ventures)	Holly Piper – Venturesome	
		Nat Sloane (Big Lottery Fund)	Cynthia Shanmugalingam – Kitchenette	
Development Trusts Association		Peter Holbrook (SEUK)		
		Peter Wanless (NSPCC)	Asheem Singh – ACEVO	
HM Treasury		Philip Colligan (Nesta)	Sam Tarff – Key Fund	
		Philip Newborough (Bridges Ventures)		
		Rob Owen (St. Giles Trust)		
		Sir Anthony Greener (St. Giles Trust)		
		Toby Eccles (Social Finance)		
		William Shawcross (Charity Commission)		

	Social/philanthropy sector
	Financial/business sector
	Other/hybrid

Repurposing material infrastructure: Adapting social investment infrastructure. Leveraging this vision of a more inclusive social investment market, the social sector was able to experiment with new approaches and bring about changes to the material market infrastructure, which was adapted to the 'new needs'. One example is the creation of Access Foundation in 2015, repurposing money from Big Society Capital so that it could be invested in new ways (mixing loans and grants) to help smaller social sector organizations. There were also changes in key management positions, such as the CEOs of BSC and Social Investment Business, which incorporated profiles with more experience in – and more legitimacy from – the social sector. For example, Cliff Prior, who started as CEO of BSC in 2015, was 'trying to make sure of their distinctiveness in social investment from what mainstream finance is doing in talking about impact' (Interview #37, SIF).

As with impact investing, there was also a shift in the industry conferences, which targeted different segments of actors. While events such as the GIIN Investor Forum and the Impact Investing Summit mostly targeted institutional investors, 'Good Deals has gone in the other direction and has become much more focused on the needs of charities and social enterprises' (Interview #36, social entrepreneur).

After 2014 there was also a policy shift, whereby social investment evolved from being considered something good in and of itself to being a 'means to an end': 'the [UK government policy] emphasis shifted from social investment being a good thing to social investment is useful in as much as it solves some of the problems that we've identified in society' (Interview #37, SIF). It is interesting to note that, despite this narrower understanding and losing certain relevance in the policy agenda, the social investment market has not died out: 'it absolutely hasn't, completely the opposite. (. . .) There's a lot more going on in the market now in terms of deals being made and funds being set up' (Interview #36, social entrepreneur). In fact, this part of the social investment market in the UK grew at a rate of approximately 30% between 2015 and 2018, from £1.5bn to £3.5bn, including – in this order – bank lending, social housing, charity bonds, community shares, non-bank lending, social impact bonds and venture capital (Big Society Capital, 2019).

Coda: A split in the impact investing global market

Although our study is based on the UK context, its connections with other countries took us to explore the development of impact investing on the global scene. Interestingly, we saw a similar split between approaches that were more focused on providing risk-adjusted financial returns to large investors and those that prioritized financial instruments that are more adapted to the needs of social enterprises.

Early practices that leveraged the power of financial markets for having positive social impact included blended approaches, bringing together venture capital and philanthropy, or social sector organizations and entrepreneurship (Hehenberger et al., 2019). At the time where the term impact investing was coined, 'a diverse set of ideas brought in from related and adjacent fields such as philanthropy, venture capital, government, and banking' (Hehenberger et al., 2019, p. 2) were on the table in discussions on how to best support organizations working for the common good.

Over time, as Hehenberger and colleagues (2019) suggest in their study of impact investing in Europe, the vision of an investor-focused market became dominant. This can be seen in the type of impact measurement frameworks used by practitioners in the field. Figure 4 shows the ABC framework promoted by the Impact Management Project, a community of over 2,000 organizations that includes some of the largest asset owners and managers in the world (together with universities and development agencies), as well as networks such as the GIIN, the GSG, the OECD and different UN agencies. In the graph we see how 'the impact economy' brings together impact investing with other approaches such as responsible and sustainable investing (also called ESG investing) that

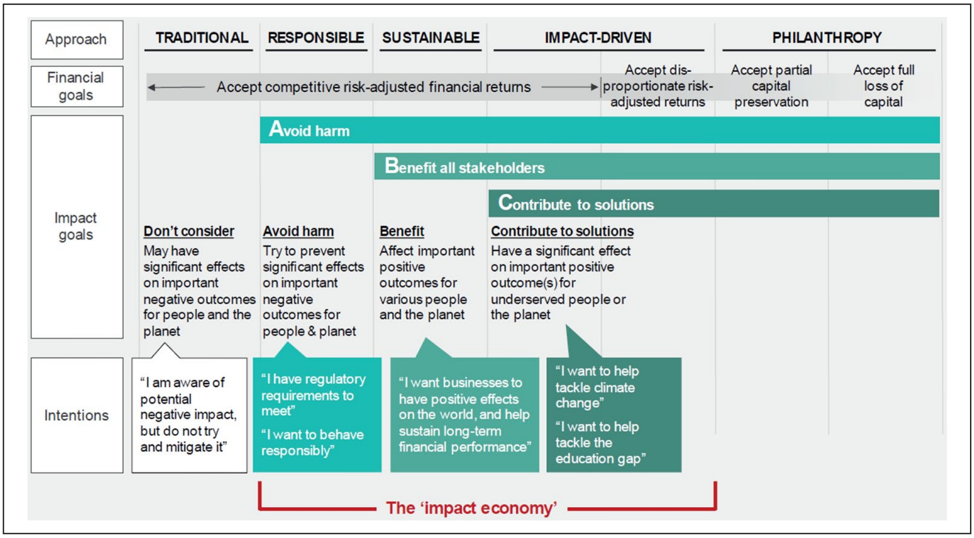

Figure 4. Spectrum of the 'impact economy', based on the work of the Impact Management Project.[3]

prioritize financial returns, while philanthropy stays out of the picture. This type of framework, which by 2019 was used by many speakers in impact investing events, was useful for institutional investors but says little to frontline social sector organizations. In the case of the UK, this vision of the role of impact investing within the financial markets stems from the realization that 'governments and philanthropists alone are not going to solve them (. . .) We need business and investment to play a really important role in solving those kinds of mega challenges'.[2]

However, by 2019 other central actors had started challenging these developments more energetically. For example, the Chair of the European Venture Philanthropy Association (EVPA), Filipe Santos, asked at their annual conference in 2019: 'Am I really putting the beneficiaries at the center when I make an investment decision?' Santos emphasized that a focus on the principles and essence of impact investing is what kept it true to its original mission. Another symptom of this split was that EVPA used different language when referring to the two approaches: investing *with* impact (for those prioritizing financial returns for investors) and investing *for* impact (for those prioritizing the needs of social purpose organizations) (*Investing for Impact*, 2019), the latter being the focus of their organization. This shift was the result of critical reflections about the role of impact investing, the potential for *impact washing*, and the realization of the constraints to action created by the 2010s material infrastructure.

Scaffolding, Collective Learning and Market Fragmentation

In this section, we draw on our findings from the case of social and impact investing in the UK to develop a theoretical model of how the recursive construction of cultural and material infrastructure – what we call scaffolding – enables a process of collective learning that shapes the resulting market – in this case, with the outcome of fragmentation. Figure 5 visualizes the two main parts of our theoretical model: the recursive process of collective learning and the process of speciation, which we describe in detail below.

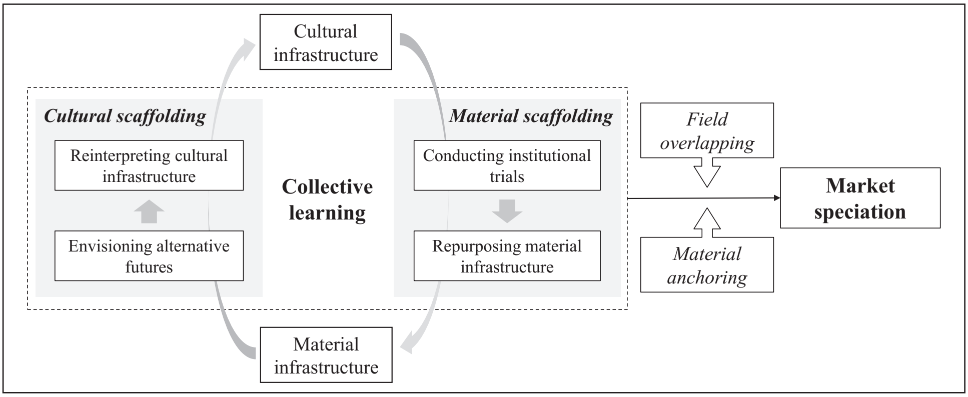

Figure 5. Scaffolding and speciation in nascent markets.

Collective learning through scaffolding

What we observed is neither the rational design of a market based on the interests of the different actors, nor a merely random process. Instead, the case speaks of a process of collective learning in which market actors build successive iterations of cultural and material infrastructure. In line with a pragmatist understanding of institutional change (Ansell, 2011; Farjoun, Ansell, & Boin, 2015), we refer to collective learning as a process taking place in 'communities of inquiry', through which actors construct meanings in a context of ambiguity (Dewey, 1938). In keeping with the recursive nature of pragmatism, learning is understood as the result of *both* experiential and deliberative processes, whereby new knowledge and practices emerge from actors' 'confrontation with concrete problems and is enhanced when people become reflexive about their own habitual knowledge' (Farjoun et al., 2015, p. 5).

To capture the provisional, recursive and problem-solving nature of this process of market formation, we borrow the concept of scaffolding from Ansell (2011), who outlined a pragmatist perspective of large-scale institutional change. Central to this process, he suggested, is a conceptualization of institutionalization as collective learning, whereby actors start with multivocal ambitious ideas and visions, which energize mobilization, and over time refine them, in a process whereby the resulting institutions might differ quite dramatically from what was envisioned in the first place. Institutional change is therefore seen as the result of recursive top-down and bottom-up processes (Gray, Purdy, & Ansari, 2015; Purdy & Gray, 2009), in which each step opens up new possibilities and generates new paths (Bothello & Salles-Djelic, 2018; Djelic & Quack, 2007; Garud & Karnøe, 2001). For Ansell, upward scaffolding is about conceiving 'broader and more ambitious institutional goals', while downward scaffolding is related to 'the development of specific concepts and practices' (Ansell, 2011, p. 37).

Mair and colleagues (2016, p. 2021) defined scaffolding as 'a process that enables and organizes the transformation of behavior and interaction patterns' and suggested that, in the case of rural poverty in India, it helped transform inequality patterns in small-scale societies by mobilizing resources, stabilizing new interactions and concealing goals. In their conceptualization, 'Scaffolding helped to provide scope for what people can and will do, and to hide the emergence of a new social order that was neither desired nor anticipated by some social groups' (Mair et al., 2016, p. 2038). They also find that scaffolding makes the process of emergence (of an alternative social order) more adaptive and robust, thanks to a mix of 'active planning' and 'years of experimenting, failing, and learning' (Mair et al., 2016, p. 2036).

Building on these conceptualizations, in the context of market formation we define scaffolding as *the process of building temporary cultural and material market infrastructure, which enable collective learning*. Furthermore, we distinguish the two primary forms of collective learning that we observed, which we label cultural and material scaffolding. Tables 5 and 6 summarize our conceptualization of collective learning in the context of market formation and offer selective evidence from our empirical case that support our theorizing.

Building cultural scaffolding allows market actors to better understand how the emerging market might operate and to discover new or better ways in which it can be beneficial for them. For instance, in the first phase of our case, they learned about how private finance could be used in innovative ways to tackle societal challenges, in collaboration with the social and public sectors, thus expanding potential relations and funding approaches. In the second phase, fund managers understood that institutional investors could be relevant providers of funds with impact objectives, but also that they have other priorities compared to social and public sector funders, such as less risk appetite and a fiduciary need for stable returns. In the third phase, social sector actors identified that including grants together with repayable finance in the portfolio of social investment instruments could help the market better address the needs of most social sector organizations. These lessons were not learned by chance, but rather through a collective process based on the reflexivity and interactions among market participants. Different groups of actors might identify different potential market developments, based on their identities and interests, and champion different visions for its future. For example, in the first stage, government actors left a stronger imprinting on the early development of the social investment market by including in BSC's statutes that it could only cater to social sector organizations and at the same time it had to be financially sustainable. In the second stage, private equity professionals drove the shift away from the social sector by prioritizing the need to invest in larger deals (due to their financial constraints) when structuring new impact investment funds and deals. Finally, social sector organizations led the resistance and the repurposing of existing infrastructure to better serve their needs by raising their voices through initiatives like the Alternative Commission for Social Investment and the launch of the Access Foundation with part of BSC's funds.

By examining the collective learning process, we observe that actors inspire and propose new field frames that allow market participants to explore potentially beneficial scenarios, a mechanism we identify as *envisioning alternative futures*. For example, in the early 2000s, the Social Investment Task Force explored innovative roles for the social, business and public sectors, and published some recommendations as to how this could be put into practice. Around 2013, Sir Ronald Cohen and other market-building organizations promoted a vision that 'impact' should become the third variable (besides risk and return) to guide investment decisions in financial markets, speaking directly to large asset managers and institutional investors. In 2014, the Alternative Commission for Social Investment analysed how changes in the supply of funding could make the market more relevant for smaller social sector organizations, aiming at that 'other 95%' of the sector that had been excluded from previous approaches.

These new visions provide the scaffolding that supports and directs the market-building process, because the field frames change as market participants embrace the new possibilities opened by the new shared meanings in what we call the reinterpreting of cultural infrastructure. For example, in the first phase, the nascent market adopted a language that created a shared sense of belonging among diverse actors and led to cross-sector collaborations. In the second phase, fund managers and market builders engaged with institutional investors as potential supply of financial resources for the impact economy. And in the third phase, providers of social investment brought together

Table 5. Collective learning through cultural scaffolding.

Collective learning through cultural scaffolding		Examples from each phase		
		From ambiguity to Big Society Capital (1999–2012)	An emerging impact investment market (2013–2019)	The social investment 'resistance' (2013–2019)
What is learned?	Collectively, market actors better understand how the emerging market might operate and discover new or better ways in which it can be beneficial for them	• Private finance can be used in innovative ways to tackle societal challenges, in collaboration with the social and public sectors	• Institutional investors can provide large funds to address societal challenges, but they have other priorities compared to social and public sectors (less risk appetite, need for stable returns)	• Including grants together with repayable finance in the portfolio of social investment instruments can help the market better address the needs of most social sector organizations
How is it learned?	***Envisioning alternative futures*** Market actors inspire and propose new field frames that allow market participants to explore potentially beneficial scenarios	• The Social Investment Task Force actively explored innovative roles for the social, business, and public sectors	• Sir Ronald Cohen and other market builders promoted a vision that 'impact' should become the third variable (besides risk and return) to guide investment decisions in financial markets	• The Alternative Commission for Social Investment analysed how changes in the supply could make the market more relevant for smaller social sector organizations
Effect on the market	***Reinterpreting cultural infrastructure*** The field frame changes as market participants embrace the new possibilities opened by the new shared meanings	• The nascent market adopted a language around 'social impact' that created a shared sense of belonging among diverse actors and led to cross-sector collaborations	• Fund managers and market builders reached institutional investors as potential supply of financial resources and included them in the scope of the market	• Providers of social investment designed new, hybrid financial instruments, which included grants and concessionary capital

Table 6. Collective learning through material scaffolding.

Collective learning through material scaffolding		Examples from each phase		
		From ambiguity to Big Society Capital (1999–2012)	An emerging impact investment market (2013–2019)	The social investment 'resistance' (2013–2019)
What is learned?	Market actors reflect about how the different blocks of material infrastructure are aligned with their own goals and interests	• The nascent market built around Big Society Capital and other material infrastructure was not addressing the needs of most actors	• Impact investing has the potential to steer financial markets to be a force for good, but it also runs the risk of losing its integrity	• A more horizontal approach allows social investment organizations to gain legitimacy from the social sector, although it becomes disconnected from large institutional funds
How is it learned?	***Conducting institutional trials*** Market actors launch new field bodies, pass new regulations, establish new intermediaries, etc. and explore how that (provisional) infrastructure enables and shapes market growth	• The nascent market is built around different elements of policy support: Big Society Capital, social impact bonds, capacity-building funds, etc.	• Market actors launch new field bodies such as advisory boards and join global associations and standard-setting organizations	• Big Society Capital and the UK government launch the Access Foundation (which provides grants and concessionary capital); new CEOs (with social sector background) in market-building organizations
Effect on the market	***Repurposing material infrastructure*** Existing regulations, resources and relations in the market are adapted for new uses in the new scenario	• Social, public and financial sector actors collaborate and pull resources together with the goal of providing repayable finance to social enterprises	• Institutional investors benefited from SRI infrastructure and high-end conferences to distance themselves from concessionary approaches	• Conferences like Good Deals became more focused on the needs of charities and social enterprises

existing funds with new allocations of grants and concessionary capital to design hybrid financial instruments.

When building cultural scaffolding, actors collectively discuss, develop and agree on multivocal inscriptions (Ferraro et al., 2015) that capture attention around the future of the field, such as ‘social investment’ and ‘impact investment’. These discursive multivocal inscriptions are ambiguous enough to be accepted by existing field members and attract new ones (Grodal & O’Mahony, 2017). Furthermore, their ambiguity help blending two distant worlds – social/impact and investment/finance – and attract resources and attention from diverse actors (Etzion & Ferraro, 2010). New knowledge and understanding are consolidated and help form a new field frame as the previous one is ‘challenged and reconfigured, or transposed altogether with alternative framings’ (Cornelissen & Werner, 2014, p. 208). The multivocality of the novel field frame helps mobilize actors across existing fields and interests, creating the possibility for action. Furthermore, its future-orientation helps get distance from present reality and muster collective action (Augustine, Soderstrom, Milner, & Weber, 2019).

By building material scaffolding, market actors reflect on how the different blocks of material infrastructure are aligned with their own goals and interests. For example, both social investment funds and social sector organizations realized that the nascent market built around Big Society Capital and other material infrastructure was not addressing their needs because it lacked necessary flexibility. With the emergence of impact investing, market actors realized that it had the potential to steer financial markets to be a force for good, but that it also ran the risk of losing its integrity. Finally, in the phase of the social investment resistance, market actors understood that a more horizontal approach allowed social investment organizations to gain legitimacy from the social sector, although it became disconnected from large institutional funds.

As part of the collective learning process, market actors launch new field bodies, pass new regulations, establish new intermediaries, etc. and explore how that (provisional) infrastructure enables and shapes market growth – a mechanism we label as *conducting institutional trials*. In the first phase this took place as the different elements of policy support were built: Big Society Capital, social impact bonds, capacity-building funds, etc. In the second phase, market actors experimented with new field bodies such as advisory boards and joined global associations and standard-setting organizations. In the third phase, Big Society Capital and the UK government launched the Access Foundation (which provided grants and concessionary capital), and new CEOs with social sector background started leading some of the main market-building organizations. All these institutional trials allowed market actors to experiment with different ways in which their ‘visions’ could be materialized, and better understanding what worked better (and for whom) in each case.

Through this process of material scaffolding, actors repurposed material infrastructure by adapting existing regulations, resources and relations for new uses in the new scenario. For example, social, public and financial sector actors started collaborating and pulling resources together (instead of each working within their own silos) with the goal of providing repayable finance to social enterprises. Later on, institutional investors benefited from existing SRI infrastructure and gathered around specific, high-end, impact investing conferences that distanced them from concessionary approaches. In the social investment resistance, conferences like Good Deals were repurposed and became more focused on the needs of charities and social enterprises.

Therefore, in this process of cultural and material scaffolding, actors make sense of how the new practices are working, and collectively reflect on whether they are addressing what they believe is the core problem. This is consistent with the understanding of scaffolding as a collective learning process, where actors continuously develop new knowledge to solve emerging challenges (Ansell, 2011). More specifically, we have seen how scaffolding entails imagining potential alternative futures, settling on near-term plausible scenarios, experimenting with different interventions and solving the problems that emerge at various stages.

Building on this insight, we suggest that, in building market infrastructure, actors start from a concrete problem, and in developing concrete solutions they trigger a creative recursive process of cultural and material infrastructure construction. Our model of cultural and material scaffolding is congruent with Mair and Hehenberger's (2014) study of venture philanthropy in Europe, where they show that different types of relational spaces enabled reframing institutional models (in frontstage convenings) and refining specific practices (in backstage convenings). However, we extend their model by showing that those relational spaces (which are primarily a locus for discursive practices) are in fact contributing to a larger field-level process of collective learning, which also involves reflections triggered by the material infrastructure. Although our data was not conducive to study the micro interactions that take place in those relational spaces (Furnari, 2014), future research could look at the specific mechanisms through which different types of convenings (open and closed, small and large, elite and non-elite) contribute to the learning process, and how these debates are mediated by material practices and artifacts.

Furthermore, by recasting scaffolding in its pragmatist evolutionary learning light, we can more precisely identify the mechanisms of market construction, and thus explain why some processes will lead to market speciation, instead of other outcomes such as goal displacement or suppression that have been recently observed in this literature (Grodal & O'Mahony, 2017; Hehenberger et al., 2019).

Scaffolding and market speciation

The second contribution of our model is to our understanding of why nascent markets sometimes fragment into multiple segments. In keeping with the evolutionary language, we refer to this mechanism as *market speciation*, that is the process whereby one nascent market evolves into two distinct markets. Our findings about the split between social investment and impact investment in the UK suggest that nascent markets can experience speciation as a result of the collective learning process that takes place through the cultural and material scaffolding that we have just described. The recursive process of reinterpreting the cultural template and repurposing the material infrastructure creates plenty of opportunities for actors to clash and opt for different institutional projects. While prior literature has shown how actors reframe institutional models (Mair & Hehenberger, 2014) and repurpose economic and organizational resources (Mair et al., 2016), our case foregrounds the collective learning that takes place when actors evaluate whether a certain model works for them or not, and how they can reinterpret or modify institutional structures so that they better serve their own purpose. Speciation can happen if actors reflecting on the early experiences with the novel practice do not perceive they are solving the problems that led them to initiate the market formation journey. In the cultural scaffolding phase, all actors associate their unique problems with the field frame. Social sector organizations saw social investment as an opportunity to solve their financing problems; the government as a way to reduce its spending on social services; and private equity as a novel investment opportunity. Yet, as concrete practices and infrastructure unfold, the results of those institutional trials are evaluated by each actor through their unique and sometimes opposing lens. For instance, while some investors were looking for returns that were comparable to the private equity industry and deal sizes that allowed for investing at scale, many social enterprises were expecting interest rates below market levels and small amounts that were in line with their needs.

As a new cycle of reflection on the future of the field initiates (cultural scaffolding), some actors might doubt whether their membership in the field is helping them solve their problem, and thus might consider steering the field, or a sub-group of members, towards a different direction. If two or more relatively more homogenous sub-groups of actors exist, we are likely to observe fragmentation.

In our case, we identify two scope conditions that favour the process of speciation over other potential outcomes such as goal displacement or suppression (Grodal & O'Mahony, 2017; Hehenberger et al., 2019). First, we observe the importance of *field overlap*, that is the fact that social investment emerged at the intersection of other fields – in this case the social sector, the financial sector and the public sector. These contexts are called interstitial issue fields, and prior research has identified impact investing as one such field, because it 'draws elements of its institutional infrastructure from existing exchange fields including investment, corporate social responsibility, social enterprise, government, NGOs, and social movement fields' (Zietsma et al., 2017, p. 401). This means that, when the material infrastructure needs some readjustments, each of those fields is likely to pull the nascent market in different directions. We see this, for example, in the efforts by the responsible investing field to include impact investing as one of their strategies; in the pressures from the social sector to make social investment cover for the decrease in public budgets through concessionary lending; or in the affordances of the private equity tools, which pushed high financial returns at the centre in the reframing of the field. These strong connections to other, more developed fields create a tension that is then likely to end in a split of the market. As Lounsbury (2007) showed in his study of mutual funds in the United States, the difference between the goals and logics of Boston-based funds and New York-based funds led to significant practice variation and effectively the formation of two different markets. This is not the case, for example, of the emergence of nanotechnology as described by Grodal and O'Mahony (2017). In that context, because nanotech was essentially one field with different communities, it did not experience those intense pulling forces from other original fields and its ambitious goals were eventually abandoned rather than evolving into new forms.

Second, we have observed the importance of *material anchoring*, that is, the influence of early material structures on subsequent field iterations. In our case, this was about the influence of Big Society Capital and its associated market structures. Because the BSC model attracted significant resources and achieved a noteworthy position in the field, even becoming an international best practice, it was difficult for an alternative institutional project to take its place. Instead, when the dominant ideology of impact investing started to 'suppress' alternative frames at the global level (Hehenberger et al., 2019), social investment in the UK was able to 'resist' because in the previous years it had developed relevant structures that could not easily be co-opted. BSC had a clear mandate to serve social sector organizations, and many of the fund managers and foundations involved had robust relations with the social sector. This meant that, instead of a new frame becoming dominant in the field, the UK experienced a split in the market (in the discourse and also in the material structures such as conferences and financial instruments) between those that advocated for an investor-led market (impact investment) and those that stayed closer to the needs of social sector organizations (social investment). In their study of impact investing in Europe, Hehenberger and colleagues (2019) found that profit-oriented, large-scale, top-down perspectives dominated the field and were able to suppress more beneficiary oriented, participatory approaches to impact investing. We argue that this was possible because those 'alternative orders' did not have material structures in place that were strong enough to counterbalance the dominant ideology. However, as they suggest, the field 'still could develop differently (. . .) [and] potentially even [have] two distinct or opposing ideologies instead of one' (Hehenberger et al., 2019, p. 35). In fact, some recent developments in the field at the European level, such as those we point to in our findings, suggest that the European Venture Philanthropy Association could play an important role in this 'resistance' by claiming that beneficiaries need to be at the centre of decision-making and distinguishing between investing *with* impact and investing *for* impact.

Our model also helps interpret recent findings on so-called moral markets. These markets, defined as those 'whose *raison d'être* is to offer market solutions to social and environmental issues' (Georgallis & Lee, 2020; Hedberg & Lounsbury, 2020), have shown that the outcome of market-building efforts can be cooptation when there are important power imbalances, such as in microfinance (Casasnovas & Chliova, 2020; Kent & Dacin, 2013) or in the recycling industry (Lounsbury et al., 2003). Our model contributes to this broader body of research by suggesting that, under some conditions, successful cooptation might only be one of the outcomes, as the nascent market may have split into two or more branches. This points at the importance of studying the diversity of approaches in nascent markets (Hannigan & Casasnovas, 2020), as some of the early practices or infrastructure can become the building blocks of future market developments or spin-offs from the main path (Schneiberg, 2007).

Discussion and Conclusions

Our study explored the emergence of the UK social and impact investment market and we leveraged our findings to develop a conceptual model of collective learning through scaffolding in nascent markets. Our study offers two theoretical contributions as well as important empirical insights.

By leveraging insights from institutional pragmatism and focusing our attention on instances of collective learning, our study advances the literature on market formation in two important ways. First, we clarify the role that the construction of cultural and material structures plays in nascent markets. Our model of recursive cultural and material scaffolding extends earlier conceptualizations of scaffolding (Mair et al., 2016; Orlikowski, 2006), recasting those more clearly in the original evolutionary learning ethos of pragmatist institutionalism (Ansell, 2011). Furthermore, by highlighting the future-orientation of the process of building cultural scaffolding (made explicit in our mechanism of 'envisioning alternative futures'), we join recent efforts to explore how constructing imageries of the future can be a first step in processes of institutional change because of their capacity to critique the status quo and offer aspirational alternatives (Augustine et al., 2019). A future vision is crucial to reorient existing practices, norms and habits towards a new direction. These images of the future are essentially fictional but provide a motivational impetus for the assembled actors, work as a coordinating device, and help reduce the ambiguity of the process. Much economic activity (consumption, entrepreneurship, investment, etc.) depends on fictional expectations, that is 'images actors form as they consider future states of the world, the way they visualize causal relations, and the ways they perceive their actions influencing outcomes' (Beckert, 2016). Our theory suggests that this mechanism of creating a dominant collective expectation is particularly crucial in the construction of nascent markets, where actors are to invest in market infrastructure without the possibility of a clear cost-benefit analysis (Lee et al., 2018), but also that it works in tandem with the material anchoring provided by the material infrastructure of the market.

We provide a precise definition of the two forms of scaffolding (cultural and material), and suggest that the recursive nature of the process is crucial in market emergence. While meanings and practices are closely interconnected and mutually coconstituted during the early stage of new fields (Grodal, Gotsopoulos, & Suarez, 2015; Mohr & Duquenne, 1997), the analytical distinction has proven useful to distil the different types of collective learning that take place during the market formation process.

Our model can be fruitfully compared with the one developed by Hehenberger and colleagues (2019) in their study of impact investing in Europe, which focused only on what we would call the construction of the cultural infrastructure. In their study, they introduced the concept of field ideology to capture the contested political process through which ideas and beliefs are brought together into coherent ideologies, and guide the development of the field. Our model is consistent with theirs in terms of building cultural scaffolding, but would also suggest the need to attend to the material scaffolding dynamics to explain the direction the field will take.

Second, our theory suggests that the collective learning that takes place through the cultural and material scaffolding can lead to market speciation, and it identifies two scope conditions where we would expect this speciation mechanism to operate. Our theory can also contribute to the debate on the role multivocality plays in the early stages of market and field formation. Bringing together the mobilization potential of multivocality (Ansell, 2011; Ferraro et al., 2015; Padgett & Ansell, 1993), and its limitations as coordination device (Grodal & O'Mahony, 2017), our theory better links the multivocality of field frames with the ultimate configurations of a market. In his seminal contribution to the pragmatist perspective on institutional change, Ansell had suggested that as 'the meta-concept becomes more specified, some of the original audience may lose interest or even turn against the idea' and 'fracturing may occur' (Ansell, 2011, p. 54), but he did not specify the conditions under which we would observe speciation. The conditions we suggest on the basis of our fieldwork would need to be further developed, and thoroughly tested across different settings, but they do help us be more precise in our theorizing on market emergence.

Empirically, our study contributes to our understanding of the social investment and impact investment markets (Hannigan & Casasnovas, 2020; Hehenberger et al., 2019; Nicholls & Teasdale, 2017; Yan, Almandoz, & Ferraro, 2021). While the focus of our empirical analysis has been the United Kingdom, its pioneering role in Europe and globally (for example, the 'best practice' of creating a wholesaler intermediary such as Big Society Capital has been diffused to several countries) makes our findings resonate with the emergence of these markets in different geographies. By focusing on one country and keeping the broader European (and global) process in the background, our account should help better understand this process of market emergence, which is often influenced by country-level ecosystems and institutional conditions (DeJordy, Scully, Ventresca, & Creed, 2020). Therefore, while we 'keep constant' the social, cultural and economic structures at the country level, future research could study how social and impact investment markets have emerged in other countries in order to incorporate such variations into the theoretical framework. Furthermore, our analysis shows how the evolution of these labels, which sometimes baffle the observer of these markets, and practitioners themselves, is not a random accident, but is the result of various stages of collective institutional learning.

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Notes

1. Articles in UK newspapers containing 'social investment/investor/investing' and 'impact investment/ investor/investing', from 01/Jan/1999 to 04/Sep/2019 (source: Factiva).
2. Michelle Giddens, from Bridges Fund Management, at a keynote speech in an impact investing event, in 2019.
3. Source: *The Rise of Impact* (UK National Advisory Board for Impact Investing, 2017).

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