REACHING THE ____ INVESTOR

LABELING INVESTMENTS

TO REACH PEOPLE WHO CONSIDER
VALUES WHEN INVESTING

CONESTOGA

SOCIAL INNOVATION LAB

REACHING THE ____ INVESTOR

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ABSTRACT

Investment strategies and offerings reflecting investor values are increasingly prevalent, but the language used to describe this approach to investment varies widely - with terms such as ethical investing, responsible investing, impact investing, ESG investing, sustainable investing, and others appearing in promotional materials and the academic literature.

Through 15 focus groups and a subsequent survey of 993 individuals, the perspectives of retail investors, regarding terminology to describe social enterprises that resonates with potential investors and the motivating factors behind their investing are explored. The purpose is to assist social enterprises in identifying the best language to use to attract investors. Focus group participants highlighted what they look for in investments reflective of their values and the challenges in finding these types of investment opportunities.

Findings demonstrate that social enterprises should avoid traditional terms like impact, ethical, and responsible investing, in favor of terms that directly align with the mission, vision, and purpose of the firm when seeking to solicit capital from retail investors.

Key Words

Investing, Social Finance, Ethical Investing, ESG, Responsible Investing, Impact Investing

1. INTRODUCTION

Alternate forms of investment strategies are required to meet our increasingly urgent grand societal challenges such as poverty and homelessness. These investment approaches, though distinguished by a range of names like responsible, ethical, Environmental Social Governance (ESG), and impact investing, all serve a common purpose of providing capital to address societies' social and environmental issues. Investments in social enterprises are undergoing rapid growth - impact investments in Canada, for example, have grown from a $4 billion industry in 2012 to a peak of $20 billion in 2019, before falling to $9 billion in 2021 (RIA, 2019; RIA 2023). Despite this tremendous growth, there is a lack of understanding of the impact of external finance on social enterprises (Searing et al., 2022). Building on this challenge, research needs to better explain what attracts retail-level investors to investments in social enterprises, and more specifically, what language resonates with investors. We examine this gap through the lens of a for-profit affordable housing co-operative that is raising money through a direct public offering (i.e. by directly selling investments to the general public without going through a financial advisor or bank).

Examining this case study provides unique insights into the motivations of the types of investors are who favor a dual return on their investments (Edery, 2006), one that benefits a worthy cause and earn a financial return on their investment, albeit one than is lower than can typically be found in the stock market.

"ethical investing has a lot of lack of clarity around it and different meanings in different places."

The purpose of this paper is thus to evaluate the perceptions of retail investors on investments in social enterprises. Effective targeting of investors for social enterprises is particularly important as many investors find social enterprises unattractive investments, thus inaccurate targeting can drive up already high transaction costs for the enterprises (Haugh, 2005). Broadly, we ask, what terminologies should be used to describe social enterprises to reach retail investors? For greater nuance, we examine retail investor perceptions around which language is best suited for a direct public offering of an affordable housing social enterprise[1]. We answer this by conducting a combined 15 focus groups and interviews with 55 participants, to examine how retail investors perceive the language around select approaches to investing aligned with an investor's values. We find concise and accessible language critical in motivating this population of investors to align their investments with their values. We also find a misalignment between the language used by academics and what investors perceive to be favorable.

Section two of the paper begins with a review of values-based[2] approaches to investing and the 'conceptual fuzziness' between terminologies (i.e. how terms that originally had distinct meanings begin to blend together when used in practice thus making it difficult for investors to decipher what they mean).

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[1] Social enterprise in this article is used to describe a business with a social or environmental purpose in addition to a profit motive.

[2] Part of the purpose of this paper is to identify the best terminology to describe investments that reflect an individual's values. For convenience throughout this article we refer to these types of investments as 'values-based investments'.

Section three then presents the research method, the partner organization, and the analysis conducted. Section four begins with a descriptive summary of participants and highlights the results of the qualitative coding. Section five finally concludes with recommendations for practitioners and academics.

2. ALTERNATIVE INVESTMENT STRATEGIES

Alternative investment strategies focused on values have gained prominence in recent years, in conjunction with the growing recognition of the financiers' role in contributing to environmental and social issues (Ryszawska, 2018; Wiek & Weber, 2014; Mirza, 2023; Dordi, 2023). These strategies, when practiced at their most basic level, may seem very similar to traditional private enterprises or, when practiced at the other extreme, may seem very close to charitable endeavors (Brown, 2006). Though the phenomenon of aligning investments with social and environmental well-being is not new in itself (Reeder & Colantonio, 2013), the proliferation of specific approaches along the investment continuum to address this is. Some of the common delineations include ethical investing (Irvine, 1987), responsible investing (Rosen et al., 1991), blended value (Nicholls, 2010; Bugg-Levine & Emerson, 2011) impact investing (Höchstädter & Scheck, 2015) and ESG investing (Caplan et al., 2013; Giese et al., 2019); however, a plethora of increasingly nuanced language like social investing, sustainable investing, community investing, and mission-based investing is also prevalent. A common point of contention is the "conceptual fuzziness" of this myriad of seemingly interrelated investment strategies (Eccles & Viviers, 2011). Moreover, researchers often use these terms interchangeably (Agrawal & Hockerts, 2019; K Harji & Jackson, 2012; Cojoianu, Hoepner, & Lin, 2022; Hockerts et al., 2022), which adds confusion to how they differ and where each investing approach is best applied.

Several factors are attributed to this conceptual fuzziness, such as the evolution of topics over time, the aggregation of terminologies, and uniformity of standards. Eccles and Viviers (2011) attribute a natural shift in preferred language with the evolution from ethical investing to responsible investing. Caplan et al., (2013), in contrast, argue in favour of grouping topics like impact investing and ESG investing under the larger body of responsible investing (see for example Daugaard, 2020; Kumar et al., 2022; Beisenbina et al., 2022). Finally, even within a select class like impact investing, Höchstädter and Scheck (2015) assert that definitions vary widely, due in part to a rapidly evolving ecosystem of investor networks, reporting standards, rating agencies, and increased attention from policymakers and academia. Consequently, there is little definitional clarity both within and between these approaches.

Acknowledging this limitation, we attempt to understand what wording is best suited for a direct public offering (DPO) of a social enterprise. DPOs are particularly attractive for small companies that require funds for expansion but are unable to enlist cost-prohibitive underwriters due to the size of their offering (Sjostrom Jr, 2001). DPOs gained prominence through a process of disintermediation fostered by the internet; that is, the reduction of informational asymmetries between private businesses and prospective public investors (Trainor, 2003; Jo, Throne & Fieber, 2019). However, there is little research on the language prospective public investors prefer when investing in direct public offerings. This is particularly important in the context of social enterprise, which balances profit with social or environmental benefits.

We begin with defining each term and then examining how academic literature differentiates each approach on four factors – the investment focus (the decision to minimize harm or generate positive outcomes fund level), the investment level (portfolio or company level investments), the legal structure around fiduciary duty, its applicability to retail investors, and investor perception. Table 1 below provides an introductory definition for some common values-based investment approaches as defined by some of the seminal research in each respective field. At first glance, these definitions share a common thread, namely the inclusion of extra-financial (social or environmental) objectives in addition to the financial objectives of conventional investments.

Table 1: Values Based Investment Approaches Definitions

Investing Approach	Source	Definition
Ethical	(Cowton, 1999, p. 60)	"A set of approaches which include social or ethical goals or constraints as well as more conventional financial criteria in decisions over whether to acquire, hold or dispose of a particular investment."
Responsible	(Rosen et al., 1991, p. 221)	"[Investor who] invests in companies whose actions support social objectives deemed desirable by the investor."
Blended Value	(Nicoholls, 2010, p. 76)	"combines both an attention to financial return and a focus on social/environmental outputs and outcomes."
Impact	(K Harji & Jackson, 2012, p. 3)	"The placement of capital with intent to generate positive social impact beyond financial return."
ESG	(Caplan et al., 2013, p. 1)	"[Integration] of ESG factors into fundamental investment analysis to the extent that they are material to investment performance… [with the aim] to improve investment performance."
Social	(Dunfee, 2003, p. 248)	"Any investment strategy based upon identifiable non-financial criteria incorporating a social or religious dimension."
Sustainable	(Woods & Urwin, 2010, p. 5)	"[Sustainable investing] implies ensuring that the conditions for responsibility remain intact - that a level of intergenerational equity is fostered."
Community	(Hacke et al., 2015, p. 4)	"investments intended to achieve social and environmental benefits in underserved communities – plays a critical role in creating and preserving affordable housing, promoting health and wellness, contributing to small-business and economic vitality and making our cities more equitable and sustainable."
Mission-based	(Wood & Hagerman, 2010, p. 259)	"mission investing is driven by investor intent and focuses on the dual objectives of furthering programmatic goals and earning financial returns."

A lack of definitional clarity and clear delineations between these related but disparate terminologies has been exposed by several researchers (Dordi et al., 2023). It is evident that conceptual clarity is increasingly convoluted within subfields, between subfields, and over time. Early literature like that of ethical investing predates more commonly used nomenclatures like responsible, ESG, and impact investing (Eccles & Viviers, 2011). However, there remains a deep body of literature on what exactly constitutes as ethical (Sparkes, 2001). A lack of consensus on how terms are defined makes it challenging to evaluate the precise proportion of investments that sit within each sphere (Schlegelmilch, 1997). Some definitions attempt to define subfields in direct contrast to more established fields of study; Woods and Urwin (2010) extrapolate that while responsible investing implies duty, sustainable investing implies ensuring that the conditions for responsibility are met. Others attempt to group subfields on similar motivations or methods. Caplan et al., (2013) argue in favour of grouping topics like impact investing and ESG investing under the larger body of responsible investing, whereas Giese et al. (2019) posit that values-based investing and impact investing fit under the umbrella of ESG investing. Undoubtedly, there is confusion within and between terminologies. There are rarely accepted definitions for each term, and literature attempting to compare their terms argues these definitions remain nebulous. Conceptual fuzziness in definitions of key terminologies has resulted in ambiguity about what investment style is best suited for select purposes, such as a direct public offering. This conceptual fuzziness leads to various interpretations, including a lack of consensus about the issues that concern investors. To understand how these terms may support or hinder a direct public offering of a social enterprise, we examine how some of these definitions differ on topics of screening, scope, fiduciary duty, and applicability to retail investors.

2.1 Screening

Subsequent research has further attempted to delineate these investment approaches based on screening. Lewis and Mackenzie (2000), for instance, assert that ethical investing usually adopts negative screening mechanisms, which exclude companies from one's portfolio on non-economic grounds. Conversely, responsible investing places greater emphasis on the materiality of non-financial factors to measure the financial risks and opportunities associated with investment decisions (Cerin & Scholtens, 2011; Weber & Feltmate, 2016). Responsible investing tends to focus on minimizing harm (Clarkin & Cangioni, 2016), though it may also include positive screening (Höchstädter & Scheck, 2015). ESG screening provides investors with extra financial data to inform but not directly guide investment decisions (Verheyden et al., 2016). This allows investors to adopt positive, negative, or "best in class" investment approaches, which selectively invest in high sustainability performers and divest from low sustainability performers within a given sector (van Duuren et al., 2016). Impact investing, though relatively nascent to its counterparts, intentionally seeks to create both positive and measurable social and environmental impact beyond financial returns (Jackson, 2013; Clarkin & Cangioni, 2016). However, even this delineation is blurred; Renneboog et al., (2008) assert that most responsible investing funds apply a combination of multiple positive and negative screens to their investments. Irrespectively, there seems to be a difference between an investor's decision to invest in these investment approaches either to minimize harm or to generate positive outcomes.

2.2 Scope

We also find that values-based investment approaches differ in scope. Retail-level ethical and responsible investors are typically limited to investing in publicly traded companies and making investment decisions at a portfolio level, whereas accredited and institutional impact investors may more easily invest directly in select private companies to achieve a desired social impact (Spiess-Knafl & Scheck, 2017). Consequently, in contrast, to impact investing, the impact of ethical and responsible investing is often indirect. Impact investing thus allows for a greater scope of investable assets. Roundy et al. (2017) conceptualize impact investing as closer to investors in early-stage for-profit and non-profit organizations than responsible investing funds, likening these investments to those of angel investors, venture capitalists, and philanthropists. Impact investments may be particularly well suited for social entrepreneurs who can deliver solutions to pressing social issues as well as acceptable financial returns (Cohen & Sahalman, 2013). Thus, the second distinct difference between investment approaches stems from the scope of investment – namely, whether the asset class is limited to publicly traded companies or at a fund level.

2.3 Fiduciary Obligation

Responsible investors are legally bound to meet their fiduciary obligations and, consequently, cannot accept investments that trade societal benefits for lower financial returns (Sandberg, 2011), though they could trade lower returns for lower risk, which is often associated with ESG and responsible investing. In contrast, the literature on impact investing either leaves the expected level of financial returns undefined or states that returns can range anywhere from below-market-rate to above-market-rate returns depending on the circumstances of the investment and the investors' strategy (Höchstädter & Scheck, 2015). This new way of measuring impact has elicited new perspectives on how to develop the legal infrastructure necessary to facilitate impact investment (Clarkin & Cangioni, 2016). Policymakers can, for example, provide asset owners with additional legal flexibility (such as clear legal interpretations of fiduciary duty and safe harbour laws) to make impact investments more investable (Wood et al., 2013). Several legal amendments in the United States, the United Kingdom, and other European nations have adapted existing structures to facilitate such social organizations (Maretich, 2013).

2.4 Retail Investors

Retail investors, as opposed to institutional investors, purchase securities on behalf of individuals as opposed to pensions, endowments, or mutual funds. They consequently trade significantly smaller amounts, trade less frequently, and adopt less sophisticated investment strategies. Consequently, retail investors do not need to be accredited. As investors seek to align their investments with their values, they increasingly demand alternative investment offerings from their financial advisors.

Alternative investment classes have thus entered the mainstream, as attested by the numerous screened investment portfolios available to retail clients. A recent survey by RBC Global Asset Management (Dorey, 2020), found that 63 percent of Canadian investors are interested in building responsible investment portfolios and 61 percent would turn to their financial advisor for more information about responsible investing. Likewise, there is evidence that retail investors also support SRI and prefer to reward firms who display positive social behaviour rather than to exclude firms based on certain products or practices (Schrötgens & Boenigk 2017; Berry & Junkus, 2013). Retail investors have a desire to make such investments, even though there remains confusion about the terms by which investments are constituted to be responsible or impact investments and when the difference is understood they have a hard time finding the later type of opportunity (Karim Harji et al., 2014). What is offered remains at the portfolio level, which has been constructed using a combination of positive, negative, or best-in-class screening and with profit maximization as its primary purpose. Even fewer institutions have developed mechanisms to make impact investing accessible to retail investors through impact portfolios and public offerings for social enterprise (Bugg-Levine & Emerson, 2011).

2.5 Research Questions

Alternative investment approaches have gained prominence in recent years, in conjunction with the growing recognition of the financiers' role in contributing to environmental and social issues. Some of the most prevalent delineations include ethical investing, responsible investing, impact investing and ESG investing. However, a plethora of increasingly nuanced language like social investing, sustainable investing, community investing, and mission-based investing are also prevalent. Researchers often use these terms interchangeably, which adds confusion to how they differ and where each approach is best applied. Several factors are attributed to this conceptual fuzziness, such as the evolution of topics over time, the aggregation of terminologies, and uniformity of standards. There are rarely accepted definitions for each term, and literature attempting to compare their terms, argues these definitions remain unclear. Conceptual fuzziness in definitions of key terminologies has resulted in ambiguity about what investment style is best suited for select purposes, such as a direct public offering. The purpose of this study is to explore what language is best suited to describe a direct public offering of a social enterprise. Does the appropriate language change if the focus is specifically on affordable housing?

3. METHODS

This research was conducted as a case study using Union: Sustainable Development Co-operative (here forth referred to as Union: Co-operative), a for-profit investor-owned cooperative that is seeking to provide affordable housing for marginalized members of society (See Rotheroe & Richards, 2007 for a similar approach). The purpose of this case study is to examine the language by which Union: Co-operative (and similar cooperative structures) can be utilized to entice retail investors to fund a direct public offering. Quantitative and qualitative data is collected through focus groups and interviews and a subsequent interactive voice response (IVR) survey. Analysis of responses is conducted using quantitative research software SPSS and qualitative research software, Dedoose and NVivo.

"we live in such a visual culture right now and so that should really not be underestimated when you're thinking about public outreach."

The focus groups were designed to gather open-ended feedback on the type of language that individuals interested in investing in social enterprises would like to see used generally and specifically in the case of Union: Co-operative. The follow-up IVR survey was designed to test the most popular language selected in the focus groups on a wider more general audience.

Initially, an omnibus live caller survey conducted of randomly dialed numbers and listed landline numbers of Waterloo Region residents over the summer of 2020 asked research participants if they would consent to be contacted to participate in a follow-up focus group about investing. Thirty-nine individuals from this study indicated they would like to be contacted for the follow-up study. The intent was to have these individuals form a large portion of our focus groups to generalize the findings, unfortunately, only four individuals would ultimately participate in the qualitative portion of the study. This limited the generalizability of our study, thus the IVR survey was added.

Additional focus group participants were recruited by the partner organization Union: Co-operative. A total of 55 individuals participated in 15 virtual focus groups and interviews held, from November 16, 2020, to November 30, 2020. Focus groups were delineated into three groups, 1) Union: Co-operative members, identified as investors in Union: Co-operative (three of the focus groups n = 16) 2) prospective members, identified as Union: Co-operative newsletter recipients but who are not investors, (nine of the focus groups n = 35) and 3) survey respondents who were previously unaware of Union: Co-operative who were identified from the live caller survey (three interviews n = 4). Focus group participants were asked to explain what they look for when making investments, and what language they expect to describe investments that reflect their values. Qualitative responses were collected, anonymized, and inductively analyzed, to identify common themes. The outcomes of the survey and focus groups are presented below. An IVR phone survey was included in the study to provide a quantitative assessment of the qualitative findings, addressing a need in the field of social finance (Schrötgens & Boenigk, 2017). The IVR contained a sampling of randomly dialed numbers and listed landline numbers in the Region of Waterloo. The landline sample drew from numbers listed in a Waterloo Region digital phone book. Participants answered questions over the phone by using the phone's keypad or could request a call back if preferred. Phone numbers of businesses, as well as emergency numbers, were filtered out of the randomly selected phone numbers. In all, 1,950 respondents completed the first question on the IVR survey, which asked about the respondent's age. After screening out respondents who were underage, outside of the region, or those who did not hold investments 993 respondents remained. The survey had a contact rate of 13% (meaning for every 100 people contacted 13 answered the phone) and a response rate of 1.1% (meaning for every 100 people who picked up the phone 1 completed the entire survey). Results were weighted based on age, gender, and areas within the Waterloo Region (i.e. if respondents came from Kitchener, Waterloo, Cambridge, or a township).

4. RESULTS

The focus groups asked respondents what language they would use to describe investments that reflected their values: “When you think about investing in a company that reflects your values what specific language would you expect to describe that type of investment?” Focus groups were later probed to see how participants felt about common nomenclature like ESG, ethical, social impact, and responsible investing, respondents were also asked about nuanced phrases like investing in affordable housing and investments in community ownership.

“investments should be ‘local, sustainable, community-focused, [and] community-driven’ ”

Overall, respondents prefered terms they could easily understand. When talking about a specific social enterprise respondents felt they should avoid traditional terms like impact, ethical, and responsible investing, in favor of terms that directly align with purpose of the investment.

4.1 ESG investing

Many respondents in the focus groups asserted that ESG investing terminology felt inaccessible and frequently ranked the term low. Those who were familiar with the term recognized that language around ESG was among the more popular terminologies adopted by corporations, and that brought a sense of legitimacy to the term. One respondent, for instance, stated that “ESG is very Popular like it's used quite heavily In like major corporations right now or at least there's a big push for it to be. So I with ESG I feel like it's a bit more explicit”. Others less familiar with the term felt that such language was not inclusive and, thus, not accessible. One respondent, for example, stated that they “think a lot of people if they saw that wouldn't necessarily know what that means. So, then you'd have to go and explain it, which You know, it looks like it might be a catchphrase. For some people, in certain communities, but it's not something I'm familiar with.” Another respondent stated that they “don't really know what that means. Like if I hear if I read that like it just, to me, environmental, social, governance. Like, I just don't know really what that means.” Finally, several respondents also made note that the term felt complex. One respondent liked the complexity, stating that they felt that ESG investing “might seem like a more of a complex theory,” while others felt that the term was perhaps unnecessarily complicated, stating that “ESG Seems good, but it's a little maybe too complex to instantly understand like as a marketing buzz word.”

4.2 Ethical, Impact, and Responsible Investing

The terms ethical, social impact, and responsible investing all raised questions among respondents on what exactly this values-based investment entails. Several respondents asserted that they “get it” as these terms are frequently used by investors. One respondent stated that the terms “ethical investing, social impact, and responsible investing, I think, are probably the most clear as to what is inferred and the thinking behind them.” However, others raised that there remains confusion around what may be included in these approaches and consequently expressed distrust in whether these investments truly align with the investors' value.

Several respondents perceived these three terms quite positively. They believed that because the terms are so commonly used, they are easily understandable and accessible. One respondent stated that they liked “the emphasis on the ethical or the impact and the responsibility of the investment,” due to the breadth of potential projects that can be captured under those terms, “that it could be housing, it could not be housing.” Of the three, however, impact investing was most favoured. Several respondents referenced how the term “leans more toward my values”. Both social impact investing and impact investing were well received; respondents “like[d] the idea that it is that you're investing to create social impact in addition to sort of financial impact you know for yourself. I guess that the unspoken part there, but the social impact.” The term social impact investing was also perceived to be more “global in nature.” Finally, one respondent suggested the term impact investing could be strengthened if “the word local is woven in there.”

In contrast, however, other respondents were not in favour of ethical, responsible, and impact investing due to the conceptual ambiguity of the terms. One respondent, for instance, stated that they “would actually stay away from the word ethical” because “it's become one of those things that like one of those words that you know that people use that is perhaps overused and doesn't necessarily, it's hard to define what it means.” Another respondent similarly stated that “ethical investing has a lot of lack of clarity around it and different meanings in different places.” Impact and responsible investing were also at times perceived as “almost too vague to really understand exactly what they're referring to.” Respondents quoted that they “don't really know or understand what that means.” Others found that the terms were too generic and perhaps simply used for marketing. One respondent, for example, cited that the terms are “good but generic and they’re the sort of thing that I mean I’d look at it but just a bit of a gut feeling (inaudible) companies are using it as a way to get my attention and not necessarily because they mean something. I don't think I'd hold it against them, but I wouldn't necessarily assume, oh, it's great. Consequently, the popularity of these terms could also prove to be a limitation. One respondent, for example, stated that they are “wary of the terms that sound like products from banks,” such as ethical, impact, and responsible investing. Another respondent stated that “social impact investing gets thrown around so much that it's lost all meaning to me.”

4.3 Investing in Affordable Housing and Community Ownership

In contrast, descriptions like 'investing in affordable housing' and investing in community ownership were overall well received. Respondents stated that they liked the clarity around the term investing in affordable housing but raised concerns about what exactly Union: Co-operative does to invest in affordable housing.

First, respondents were in favour of these two terms for their specificity. Several respondents indicated that the term investing in affordable housing "says specifically what the co-op is doing." Other respondents raised that the specificity was directly related to a material issue in their community. One respondent highlighted that due to the fact that affordable housing is a "big-time issue, I would see that [investing] as being attractive if I was buying into that as something that I wanted to contribute to in my community." Similarly, respondents favoured investments that directly contributed to their local community, stating that these terms aligned with the cooperative's ideas. One respondent, for example, highlights that "investing in community ownership for me is really clear and I think applicable to Union. I think it's pretty unique, and if I was looking one of the reasons why I bank with a [redacted credit union]. So they're a credit union, and one of the reasons I bank with them is because they invest in community ownership. So for me, that one is a pretty interesting and compelling term and clear. I understand what my community is." Another positive aspect of community ownership raised was in reference to "keeping control keeping wealth. The image that comes to mind for me in thinking specifically of the Kitchener Waterloo Cambridge region is this is an opportunity for people to walk the walk. Because there's overwhelming support for these concepts." These types of investments appear to align directly with the values and, at times, cultural identities of respondents. One respondent, for instance, highlights that a direct public offering to invest in community ownership "is specific, so I know what kind of impact they're going for." Another highlighted that to take such an offering "to the immigrant communities or Muslim community, in particular, I think it's only the affordable housing that's going to resonate A lot more." Overall, these terms had the greatest support among respondents, who stated that the terminology was clear, effective and positively perceived.

Concerns about these terms related primarily to the definition and connotation around affordability. One respondent, for example, highlighted that individuals "might not be able to meet that minimum just based on the level of income that they have, so we're automatically excluding people, which is tricky." Terms related to affordable housing were also perceived to narrow prospects for future investments for Union: Co-operative. This view was prevalent amongst Union: Co-operative members who felt the co-operative should be about more than just affordable housing but should also include environmental and community development goals. One respondent highlighted that after learning about Union: Cooperative, they "didn't get the impression that [affordable housing] was the only objective for the investing And so if that's actually the case, then it makes sense to be very clear about that. But if the investment is actually open to other types of community development, then I think it wouldn't serve well to have something so specific like affordable housing and then you're trying to make a different type of investment." Yet another respondent articulated that "it's not just affordable housing you're hoping to do that might be too singular of a lane." Finally, one respondent argued that the investment aspect of affordable housing was unclear, stating they "don't like the phrase invest in affordable housing only because that sounds like that to me does not speak to the investment. Like that almost speaks like a non-profit aspect investing in affordable housing is something that the government does. It doesn't really speak to what an individual does."

Finally, respondents were asked to define some terms that they would prefer in the context of Union: Co-operative's direct public offering. Several respondents referenced terms like 'local' and 'community focused' to describe this investment. One respondent, for example, referenced that investments should be "local, sustainable, community-focused, [and] community-driven." Another respondent, for example, highlighted that "coming from academia, where there's community-based research, to me it seems intuitive to call it community-based investing." Others referred to the democratization of city-building and ownership, the regenerative nature of such investment offerings, and the social aspect of these investments. One respondent, for example, mentioned attainable housing, which was well-received by the focus group. Another respondent stated that they "like the word sustainable. More than affordable, and it might just be prejudice, but once again sustainable, I'm thinking about a consistent, sustainable return sustainable also can mean good for the Green aspect of the economy, sustainable can mean A balance between a lot of components. So I like that word. And that was very attractive to me."

Overall, respondents articulated that they preferred language that was clear, concise, and accessible. Terminologies were better received when they directly aligned with the vision and mission statements. Terms that are tailored to select audiences are also preferred to entice a broad range of potential retail investors. Respondents requested that "the language has to become a little bit more accessible in terms of not just I'm not just saying new Canadians. But in general, like, like, you know, I think it feels very academic and very high level all the time. So it has the language, the communication, in general, has to become a lot more accessible to just general people." Similarly, another respondent stated that, "in terms of language, I would say, simple and concise. So again, I'm not really a data person. I'm a visual person. So when someone's speaking to me. It's great if it's very short sentences with very accessible language and a font size of at least 14." In addition to plain and accessible language, one respondent also highlighted that "we live in such a visual culture right now and so that should really not be underestimated (inaudible, when?) you're thinking about public outreach." Social enterprises should, therefore, avoid traditional terms like impact, ethical, and responsible investing, in favor of terms that directly align with purpose of the investment.

4.4 IVR Survey Results

The follow-up IVR survey tested the language developed in the focus groups amongst Waterloo Region residents by asking them to evaluate the language used to distinguish values-based investment strategies. Between ethical, responsible, impact, and sustainable investment, respondents were asked to identify which terms they liked best to describe an investment based on their values (See Table #2). At the top of the list, 42 percent of respondents preferred 'responsible investment' to distinguish values-based investments. This was followed by 'sustainable investment' at 24 percent. The least preferred is ethical investment at 15 percent and impact investment at 14 percent. These results demonstrate the types of terms that are recognizable to investors.

In line with Union: Co-operative's direct public offering on affordable housing, respondents were also asked to evaluate a more nuanced list of investment terminologies (See Table #3). In this question, 28 percent of respondents preferred 'community investment', 28 percent of respondents preferred 'affordable housing investment,' 24 percent preferred impact investment and only 15 percent preferred community-owned real estate investment.

Table 2: Values Based Question

Which of the following terms do you like best to describe an investment based on your values?

	Frequency	Percent
Ethical investment	111	15%
Responsible investment	315	42%
Impact investment	101	14%
Sustainable investment	180	24%
Prefer not to answer	35	5%
Total	742	100%

Table 3: Investment Motivation Question

Which of the following four terms is most likely to move you to make an investment?

	Frequency	Percent
Affordable housing investment	184	28%
Community-owned real estate investment	101	15%
Community investment	188	28%
Impact investment	164	24%
Prefer not to answer	35	5%
Total	672	100%

Results were compared using a crosstabulation based on gender (male or female), income ($50,000 or less, $50,000 to $100,000), marital status (currently married or not currently married, including single, divorced, separated, or widowed), age (over 50, or 49 or younger), and education (college or less or university or more).

When examining which term investors liked based on their values statistically significant results were found (i.e. a chi-square value of 0.05 or less) for marital status, income, and age. Responsible investment remained the most popular category for all demographic groups, but the strength of support varied from a low of 31% amongst respondents with less than $50,000 annual income to a high of 50% amongst respondents over 50 (See Table #4). Impact investment was the least popular term amongst married respondents, those with income above $50,000, and those over 50. Ethical investment was the least popular term for those who were not married, those with less than $50,000 in income, and those 49 or younger. Sustainable investment was the second most popular term across all demographics.

When examining which phrase is most likely to motivate them to invest statistically significant results were found (i.e. a chi-square value of 0.05 or less) for gender, income, and education. Affordable housing was the most popular term for women, those making under $50,000 per year, and those with college or less education. Affordable housing and Community Investment were tied for those with incomes between $50,000 and $100,000. Community investment was the most popular result for those making over $100,000 per year and those with university or higher education. Impact investment was the most popular term for males. Community-owned real estate investment was the least popular term for all demographic groups.

Table 4: Values Based Demographics

Which of the following terms do you like best to describe an investment based on your values?

Percentage	Not Married	Currently Married	<$50k	$50k-$100k	>$100k	49 or Less	50+
Ethical investment	12	18	14	19	13	16	16
Responsible investment	41	49	31	46	54	40	50
Impact investment	22	10	25	16	8	19	8
Sustainable investment	25	24	29	19	25	25	26

*Only statistically significant results are shown (i.e. Chi-square value less than 0.05)

Table 5. Investment Motivation Demographics

Which of the following four terms is most likely to move you to make an investment?

Percentage	Male	Female	<$50k	$50k-$100k	>$100k	College/ Less	University+
Affordable housing investment	23	36	42	31	20	36	24
Community-owned real estate investment	20	13	11	20	16	16	15
Community investment	21	35	14	31	40	27	33
Impact investment	36	16	33	18	24	21	28

*Only statistically significant results are shown (i.e. Chi-square value less than 0.05)

5. DISCUSSION AND CONCLUSION

The purpose of this paper was to evaluate how retail investors perceive alternative values-based investing approaches, such as ESG investing, responsible investing, and impact investing. Understanding which language appears most favorable can inform values-based corporations on how best to market their offerings. Specifically, we examined this question through the lens of a direct public offering for Union: Cooperative, raising funds for affordable housing in Waterloo Region, Ontario, Canada.

The focus groups sample predominantly came from the membership and mailing list of a start-up investment housing cooperative, in Waterloo Region, Ontario, Canada, this presents a major limitation to our study. We attempted to include a general sample of respondents from the Waterloo Region by asking people who randomly participated in a live caller survey if they would join a focus group. Unfortunately, of the 39 people who said they would when asked to confirm plans ultimately on four individuals participated and these ended up as interviews rather than focus groups. The results were that only four of the 55 people who participated in the qualitative portion of the study were not connected to the housing cooperative. It is possible that a more diverse focus group sample may have yielded different insights on the type of language that investors find compelling.

The focus group sample limitations were mitigated through the use of an IVR survey of Waterloo Region residents. However, this sample is limited by the low response rate (1%) and the focus on one geographic area within Canada. Future studies should attempt to see if these findings are generalizable outside of the Waterloo Region and with a broader sample.

Our qualitative analysis of retail investor perceptions indicates that the language of “responsible investing” is preferred by many, however, we assert that this may be due to the frequency of this term in common nomenclature and marketing. For example, the focus group indicates that such terminology may not truly reflect the values of the investor and thus raise criticism.

Second, it is evident that the delineation between ethical, impact, and responsible investing is unclear both in academic literature and among retail investors. To date, academic literature continues to use such terms interchangeably, resulting in what Eccles and Viviers (2011) coin as ‘conceptual fuzziness’ in our understanding of each. Similarly, retail investors found such terms to be ambiguous, failing to capture the primary purpose of the approach.

Consequently, we propose that social enterprises that adopt a direct public offering to raise financing should avoid traditional terms like impact, ethical, and responsible investing, in favor of terms that directly align with the mission, vision, and purpose of the firm. Start-up social enterprises may find this focus particularly useful in attracting retail investors as large and institutional investors focus their investments on more established organizations (Castellas, Ormiston, & Findlay, 2018; Harji & Hebb, 2021). In the context of Union: Cooperative, language focused on affordable housing and community ownership were overall well received due to their simplicity and specificity. Start-up social enterprises would thus benefit from using direct language to differentiate themselves in the market. Union: Cooperative would benefit from avoiding generalizable nomenclature like impact, ethical, or responsible investing and instead should focus on describing its specific product (affordable housing).

In other systems, change contexts success has been found by avoiding abstract or general arguments in favor of focusing on those “who are open to listening” (McGowan & Geobey, 2022, p. 318; Harold, 2023). Reaching investors who will support social innovation is similarly about targeting messaging focused specifically on what a firm will do, rather than relying on categorizing the organization within the current values-based investing label.

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