Collective beliefs for responsible investment

Christel Dumas, Céline Louche

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CHRISTEL DUMAS; ICHEC Brussels Management School

CÉLINE LOUCHE; Audencia Nantes School of Management

ABSTRACT

The financial community does not seem to have shifted yet to greater sustainability, despite increasing awareness and concerns around social and environmental issues. In this paper, we provide insights to help understand why. Building on responsible investment (RI) data from the UK financial press between 1982 and 2010, we examine the collective beliefs which financial actors rely on to take decisions under uncertainty, as a way of understanding the status of and implications for RI mainstreaming.

Our results identify five periods that characterize RI over time. The "civil rights" years (1982-1991), the "green niche" years (1992-1997), the "professionalization" years (1998-2000), the "SRI" years (2001-2004) and the "ESG" years (2005-ongoing) follow each other with specific representations and practices for RI. The analysis of the collective beliefs leads us to define two theoretical dimensions – justifying RI and practicing RI—that allow us to characterize how mainstream actors collectively make sense of RI. Our data confirm the existence of collective beliefs around RI and highlights changes in the content of the collective beliefs throughout the five periods, demonstrating a dynamic in the RI field. Our analysis reveals that the RI collective beliefs currently (1) do not provide a favorable environment for RI mainstreaming and (2) need to be taken into account when discussing the value of sustainability.

Keywords

Responsible investment, collective beliefs, mainstreaming, media studies

INTRODUCTION

While many signs show that responsible investment (RI) has gained importance in capital markets (Mercer, 2009; Mercer & UNEP FI, 2007), there has not been a significant global shift towards greater sustainability in finance. One potential reason for this paradoxical situation is the inconclusive debates on the performance of RI (Margolis, 2009), despite more than 200 academic articles addressing sustainability's financial performance (e.g., Derwall, Guenster, Bauer, & Koedijk, 2005; Bauer, Derwall, & Otten, 2007), including several meta-studies (Orlitzky, Schmidt & Rynes, 2003; Allouche & Laroche, 2005; Wu, 2006).

In this paper we propose another reason for this paradox, which we explore through a new theoretical lens. Building on the concept of collective beliefs (Orlean, 2004, 2006; Bourghelle 2005; Dequech, 2005), we argue that RI mainstreaming, i.e. the integration of environmental, social and governance (ESG) issues into mainstream finance (Kurtz, 2008), is unlikely to happen as long as it is not supported by the collective beliefs, which are shared interpretations that guide investors' actions and decisions (Jemel-Fornetty, Louche, & Bourghelle, 2011). We argue that the understanding of the collective beliefs around the activity of responsible investment can provide insights on equity market participants' decision making. The collective beliefs thereby inform the debate on sustainable development and financial markets.

To support this proposition, we ask two questions: What are the collective beliefs for responsible investment and how have they evolved over time. Three areas of investigation flow from these research questions. We first want to identify the collective beliefs of RI in mainstream finance. Second, we address the evolution of the collective beliefs over time.

Third, we discuss the implication of those collective beliefs for mainstreaming and RI in general.

The analysis of the collective beliefs is based on the RI media coverage in the UK financial press between 1985 and 2010. During this period, we identified 3,462 articles to which we applied a bracketing method (Langley, 1999) in order to decompose the history of responsible investment into successive RI periods. We then performed an in-depth content analysis of the press articles for a sub-sample of 89 articles.

Our data show that five periods characterized the evolution of RI. Those periods are each marked with a very specific terminology and focus. It highlights the dynamism of the field but also the fact that RI is still in a process of institutionalization. The analysis has allowed us to identify collective beliefs around RI and revealed that the collective beliefs are not stable yet. The collective beliefs identified in our study can be classified in three main areas– 'what is RI', 'why do RI' and 'how to do RI'. The content of the collective beliefs highlight the complexity of RI and tensions linked to RI mainstreaming.

We primarily contribute to the literature on RI mainstreaming. Although mainstreaming has been widely discussed, very few studies, if any, have tried to theorize this phenomenon. We first provide a longitudinal study of RI supported with empirical data. Second, we focus on the meso-level, between the individual actors and the institutional level, by considering collective beliefs. And third we provide insights into the capacity of RI to become mainstream.

Furthermore, our research on RI provides a new area of study for convention theory. Most importantly, we offer an empirical exploration of collective beliefs as well as a method to examine collective beliefs. Most of the studies on collective beliefs are indeed either conceptual or remain rather vague on how to empirically examine collective beliefs.

Finally our study contributes to theory development by refining the notion of collective beliefs. We identify two types of collective beliefs – justifying RI and practicing RI – and show that justification and action coexist and interact. Our paper therefore participates in an ongoing conversation about how institutions influence our thoughts and behavior.

This paper is organized as follows. The first part outlines the theoretical framework and the context of RI mainstreaming. The second part presents the research design, data and methods used in the study. The third part provides the analysis and findings with a focus first on the RI periods, then on the collective beliefs. The results are discussed in the fourth and last part, including their implications and ideas for further research in the area of RI mainstreaming.

COLLECTIVE BELIEFS AND RI MAINSTREAMING

Collective beliefs

The concept of belief is not common in economics and finance (Orléan, 2006). The financial system is largely based on economic analysis and neo-classical financial theory that both give great importance to quantitative measures. However, by disregarding the beliefs and social context in which these numbers are produced, standard theories fail to explain anomalies such as speculative bubbles, confidence crises, excessive volatility, not the least of which is the latest financial crisis. They also fail to consider important dimensions of value (Orléan, 2011).

Value is a representation constructed by a group (Orléan, 2011; Zajac & Westphal, 2004). This is true for religious value or aesthetic value but also for economic value, which neo-classical economics does not recognize. Even if economic value distinguishes itself from others because it is represented by a price, it still is largely a social construction.

A well-documented illustration of collective beliefs is the social construction of price by the Black–Scholes–Merton options pricing formula. It gained exponential success in the 1970s among option traders, regardless of its accuracy in calculating option prices and of traders' personal belief in the accuracy of the model. Economic actors used this model to coordinate their actions under uncertainty, based on the collective belief that a majority of other economic actors used the model, with the unintended consequence of changing patterns of prices in the option market (Beunza, Hardie, & MacKenzie, 2006; MacKenzie, 2006 ; Millo & MacKenzie, 2009).

A collective belief is a shared interpretation of the future evolution of financial markets, and plays a central role in Orléan's research (2004). He defines collective beliefs as follows:

> "An individual I believes that the group G believes the proposition P if he believes that, in the majority, the members of the group G believe that the group G believes P" (Orléan, 2006, p.171).

A collective belief can therefore be disconnected from what individual agents believe: this is its self-referential nature. As a result, the market has its own autonomous belief, which is not the sum of individual beliefs. This becomes evident when investors make decisions based on their anticipation of the future behavior of "the market", and when we observe discourse such as "*the market* believes bonds are over-priced" or "*the market* does not believe the Federal Reserve's announcements". Under uncertainty, collective beliefs will help investors to make decisions, thereby influencing economic value and the adoption of new practices.

A number of empirical papers have explored how financial market participants coordinate their actions based on collective beliefs (Table 1). Bourghelle et al. (2011) and Guyatt (2006) address more specifically the case of RI mainstreaming, both suggesting that collective beliefs constitute impediments to mainstreaming. The former discusses this thesis theoretically, but is not backed up by empirical data. And though the latter refers to collective beliefs, these notions are presented in a behavioral finance perspective rather than according to Orléan's framework.

--- Insert table 1 here ---

During a period of instability, coordination based on collective beliefs increases stability. Everyone considers the same references, which reinforces their legitimacy. But since this coordination is based on beliefs and choices which could have been different, it is regularly challenged and may be put in peril. The studies therefore illustrate the content of collective beliefs and how they influence financial markets, but do not give much insight on how these conventions were formed or how they evolved. However, Bourghelle (2005) notes that since financial actors all read the same press and listen to the same experts, the financial press is an essential mediator in the formation of collective beliefs.

The concept of collective belief is part of a theory, convention theory, which was developed by a group of economists and sociologists (Boltanski & Thévenot, 2006; Boltanski & Chiapello, 2005; Dupuy, Favereau, Orléan, Salais, & Thévenot, 1989). Together they propose an enlarged model of rationality which becomes embedded in questions of coordination and values. Convention theory focuses on analyzing cognitive interactions and the multiplicity of equilibriums using discourse and conventions. Within this group of theorists, authors like

Orléan, Bourghelle, and Dequech focus more specifically on understanding economic value in financial markets and highlight the self-referential nature of collective beliefs.

This self-referential approach is the one that we adopt in studying collective beliefs in RI mainstreaming. There is no scientific basis to determine the mathematical expectations (probabilities) of the impact of ESG factors on the return of an investment. In this sense, expectations in the future of an asset's performance have a subjective component. They are informed opinions (which is indeed what ESG rating agencies say they deliver). Consider the following example: an individual fund manager believes a majority of other fund managers believe the market considers environmental, social and governance (ESG) criteria as non-material. This does not result from the fund manager's personal view on RI, or from other market players' personal views, but it will influence their investment decision. We argue in this article that collective beliefs play an important role in mainstreaming a new activity in financial markets. They can either support or hinder it depending on their content.

Responsible Investment mainstreaming

Although the definition of RI is the object of ongoing debate (Sandberg et al., 2009; Dahlsrud, 2008), scholars often agree that RI refers to the "integration of social, ethical, environmental and/or corporate governance concerns in the investment process" (Sandberg et al., 2009). However, both practitioners and the media use varied terminology when speaking about SRI. Non-exhaustive lists include "ethical investment", "green funds", "socially responsible investment", "sustainable investment" and "ESG investing" (Sandberg et al. 2009). This variety in terms points to a high heterogeneity which has developed throughout the history of RI (Sparkes & Cowton, 2004; Louche & Lydenberg, 2010).

Practicing RI is neither easy nor unproblematic, because the heterogeneity of RI is not limited to its definition (Sandberg et al. 2009). The varied terminology goes along with a variety of investment strategies and practices (Entine, 2003) ranging from exclusion based on screens, to shareholder engagement with companies, to selecting investments with a focus on having a community impact (Louche & Lydenberg, 2011).

RI mainstreaming is proclaimed by many RI practitioners (World Economic Forum and AccountAbility, 2005; Robeco and Booz & Company, 2008) and has become a central question in the RI research arena (Lydenberg, 2009). But there is an implicit assumption within the field, in both academic and business communities, that everybody knows what mainstreaming is about, so it has never been quite defined. Mainstreaming of RI is sometimes considered as the maturation of RI (Sparkes and Cowton, 2004). Lydenberg (2009) mentions the notion of professionalization, or even the notion of progress. These claims to RI mainstreaming recognize the evolution of the RI market in two directions: growth of assets under management and new investor categories. Mainstreaming is about the adoption or the practice of RI by major investors, consisting of the most important ownership groups of quoted companies, mostly represented by pension funds and insurance companies (Sparkes 2002, McCann et al 2003) and referred to as institutional investors. Another element that we find in the literature on RI mainstreaming is the notion of RI spreading to every financial investment product category (Strandberg, 2005; Lydenberg 2009). Amaeshi et al (2010) argue that RI mainstreaming implies a fit between RI and the dominant financial market logic of calculation and singularization for profit, putting high emphasis on the financial performance of RI: “for the RI market to be mainstreamed, it has to be amenable to the mainstream financial market demands of objectivation and singularization ” (Amaeshi 2010, p.52). All those factors lead us to say that RI mainstreaming means the integration of social, environmental and governance issues into conventional finance.

Following these claims to mainstreaming, recent scholarship has focused on the impediments to mainstreaming. Various impediments to mainstreaming have been highlighted in literature, including at the institutional level, the organizational level and the individual level. These include, but are not limited to, opposing logics, lack of adequate products and tools, and lack of evidence of effectiveness in terms of social return (Amaeshi, 2010; Guyatt, 2006; Juravle and Lewis, 2008). Juravle and Lewis (2008, p. 287) state that “these views act almost as social paradigms within the finance community, facilitating or impeding the mainstreaming” of RI.

A second type of impediment is the undemonstrated economic value of RI. This debate is important to legitimize ESG on the economic grounds that prevail in the business world and financial market (Amaeshi, 2010). The question has been addressed from a management perspective (are executives taking money that would otherwise go to the firm’s owners?) and from an investor perspective (are investments in RI underperforming, putting it in contradiction with fiduciary duty?). A few meta-analyses of these studies give an idea of the importance of this research topic: Orlitzky, Schmidt, and Rynes (2003) analyzed 52 studies, Allouche and Laroche (2005) analyzed 82, Wu (2006) analyzed 39 and Margolis et al. analyzed 251 studies (2009). According to Margolis et al.’s meta-analysis, “after thirty-five years of research, the preponderance of evidence indicates a mildly positive relationship between corporate social performance and corporate financial performance”, a result which neither satisfied the proponents of SRI nor its detractors.

Some authors state that the results are inconclusive because the question was not correctly addressed. They criticize “several important theoretical and empirical limitations”

(McWilliams and Siegel, 2000), such as the sample size, insufficient historical data covering a short time span, aggregation of E(nvironmental), S(ocial) and G(overnance) issues which should be considered separately (Waddock and Graves, 1997; Margolis et al., 2009). A more recent type of criticism, made by Orlitzky (2013) and Vogel (2005), is epistemological: financial markets are not efficient, financial actors are not rational, and there is no such thing as an intrinsic value which the market supposedly reveals. In that context, determining the value, and legitimacy, of sustainability may require looking away from neo-classical theories and financial return. With such views, this scholarship also challenges the dominant, simplified view of markets as fully efficient, transparent, and rational.

Together, these studies reinforce the importance of understanding a financial activity in terms of discourse, representations, and social context. The point to be made here is that another perspective is needed to address how ESG signals affect financial markets and to understand how we collectively make sense of RI and its value. The approach we detail below links RI mainstreaming to collective beliefs, as crystalized in the financial press.

RESEARCH DESIGN, DATA AND METHODS

Media as a proxy for collective beliefs

To research the concept of collective beliefs and to study their evolution in an emerging field with high uncertainty, we focus on the media coverage of RI in the financial press over time. Barkemeyer et al. (2010, p.382) suggest that "whilst it cannot be proven that there is a direct correlation between coverage of a specific event and change in behavior, there is no doubt that media coverage can influence the level of awareness of specific issues and could act as a general barometer of the contextual framing of issues such as business ethics, sustainable development, corporate citizenship, and accountability within society."

There is a tradition of CSR studies as well as of finance studies using data from the media. Many authors are currently investigating the role and influence of the media in financial markets either in terms of the influence of media on companies' CSR (Baron, 2005; Dyck, Volchkova, & Zingales, 2008; Zyglidopoulos, Carroll, Georgiadis, & Siegel, 2010), or in terms of the influence of media on share prices (Fang & Peress, 2008; Palomino, Renneboog, & Zhang, 2009; Tetlock, 2007). We build on these studies to consider media as valid proxy for collective beliefs. However, the study of RI through media coverage is new to our knowledge.

Data sampling and analysis

The data we present come from the UK financial press and was selected in several stages. Table 2 outlines both stages of the research, with their respective sampling and analysis.

--- Insert table 2 here ---

We compiled articles by searching Factiva, a Dow Jones news database encompassing more than 28,000 sources[1]. We identified journals based on prior studies, limiting our search to the Financial Times, the Wall Street Journal Europe and The Economist, which all generally correlate closely with other sources of financial information such as Bloomberg, as suggested by Kaminsky and Schmukler (1999) and confirmed by Dyck et al. (2008). The press articles provided non-sensitive, publicly available material, from which the researchers were independent.

Stage 1: Determining the RI periods

Sampling. We first constructed a large sample of all UK press articles addressing RI, using key word searches. The first set of keywords, selected based on their appearance and

[1]On Factiva's content, see http://factiva.com/sources/contentwatch.asp?node=menuElem1522 (accessed July 12, 2010). The data was collected in July 2010.

frequency in RI academic literature, included: “responsible investment”, “ESG”, “sustainable investment” and “ethical investment”. We completed the first set of articles with an iterative snowball process (Lincoln & Guba, 1985), using the names of key RI actors over time for new searches. EIRIS, FTSE and UN PRI are some examples of such names. The process was reiterated until searches using the names of field actors led to no new relevant articles: the saturation point. At the end of the first round of data collection, we had 3,982 articles on RI published between 1982 and 2010, as illustrated in Figure 1. The first articles we found in the database were published in March 1982.

--- Insert figure 1 here ---

Analysis. In this first stage of analysis we used a bracketing method (Langley, 1999) for its descriptive utility in a longitudinal analysis, but also as a structuring process for analyzing and sensemaking. It allowed us to identify RI periods, which then constituted our new units of analysis for the exploration of the collective beliefs in the second stage of investigation. We identified the discontinuities at the frontiers between brackets based on the discourse, using word counts in a qualitative data analysis software. For example, between 2000 and 2001 the word “ethics” practically disappears and words such as “pension fund” and “pension manager” become salient in the data. This delineation based on content offers a stronger theoretical meaning than delineation based on coverage frequency, which can be influenced by economic cycles.

Our approach is the first to provide empirical evidence of the evolution of RI over time, although several studies do trace the history of RI. We therefore verified the validity of our periods against periods proposed in literature (Giamporcaro & Gond, 2010), leading to similar conclusions with one exception: the early religious period of RI, which takes place before any coverage of RI in the financial press, that is before any sign of mainstreaming.

Media studies tend to concentrate on this type of quantitative content analysis that is relatively easy to measure (Fico, Lacy, & Riffe, 2008). But this type of analysis does not allow examining the symbolic meaning of the content, which leads us to our second stage of analysis, requiring a smaller sample.

Stage 2: Identifying collective beliefs

Sampling. To preserve the representativeness of the sample while reducing its size, we constructed theoretical two-week years, a recommended sampling method in media studies (Hijmans, Pleijter & Wester, 2003). Studies like those of Riffe, Lacy and Fico (1998) show that a qualitatively good newspaper sample should be based on at least twelve editions, where each day of the week is represented proportionally. For magazine articles in our data, such as articles from The Economist, we followed Wester (2006) according to whom an analysis of a weekly magazine can also be performed with a randomly selected issue per month, thus constructing a theoretical month, in some way similar to the process of theoretical weeks. We constructed our theoretical years after verifying that there was no seasonality in RI media coverage. The theoretical sub-sample is a selection of 89 articles distributed over the 18-year timeframe, a more manageable size for our second level of analysis which consists in identifying the RI collective beliefs.

Analysis. The data analysis to identify collective beliefs was conducted in three main stages, a process which allowed us to move back and forth between the data and the emerging concepts to finally reach two abstract theoretical concepts. Our initial approach to code development was prior-research driven (Boyatzis, 1998). We started the code list using literature on impediments to RI mainstreaming (Juravle and Lewis, 2008, Guyatt, 2006) based on the idea that these impediments are issues around which there is uncertainty and confusion. These are typically situations where investors will need to rely on collective beliefs to coordinate their decisions. To ensure rater-to-expert reliability (Boyatzis, 1998, p. 37), the prior-research driven codes were discussed directly with the reference author.

We read a first selection of articles searching for salient representations of RI, in the light of our prior-research driven list, and then completed the list with codes based on the data. Once all codes were named and grouped in categories, we followed an iterative process between data and categories to finalize our coding tree. Intra-rater reliability was achieved by coding the same text twice on different days, and inter-rater reliability was achieved by comparing the coding of a sample of texts by two researchers.

The second step involved axial coding (Corbin & Strauss, 2008), where we compared first-order codes with one another, looking for patterns and themes to create second-order constructs. This process consisted in trial and error constructions of models, regrouping different codes based on their characteristics in order to develop a set of more abstract, theory-rich constructs. The axial coding was done by one researcher and put to test by the other researcher in a series of meetings. Through these iterative discussions, three second-order constructs appeared to have useful explanatory power in terms of collective beliefs.

We tested the validity of the second order constructs quantitatively for the fifth RI period. The frequency of each second order construct was set as a hypothesis, which we tested by duplicating our analysis on a new random sample of 20 articles selected from within the universe of 1710 RI articles published during the fifth period (2005 to 2010). The results do not permit to affirm the existence of significant differences, with a confidence level of 1%.[2]

Finally, in the third step we identified important dimensions from the sets of second-order constructs. For example, some codes like ethics or conflicts of logic appeared earlier in the history of RI. They were attempts to define and justify RI and they addressed more directly a critique, which was either implicit or explicit. Other codes, like engagement or innovation opportunity, appeared later in the history of RI, and were linked to success stories or challenges met by RI practitioners. We saw these as linked to the practice of RI and its challenges. Working in such a way through the relevant insights each construct provided, we consolidated the second level constructs into two broad theoretical dimensions: “justifying SRI” and “practicing RI.” The theoretical dimensions resulting from the data resonate with convention theory literature, with a focus on the multiplicity of equilibriums and institutional maintenance or change. Most importantly, they provided guidance to understand the financial actors’ collective beliefs around RI.

A schematic overview of this process in figure 2 shows our first-order codes, second-order constructs, and derived theoretical dimensions which we use to study the mainstreaming process of RI among financial actors.

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FINDINGS

[2]When a confirmatory analysis is performed using a chi-square test, it appears that a difference exists between the proportions of occurrences of the three second order constructs “How”, "Why" and "What". The confidence intervals constructed for the percentages of these occurrences indicate that the occurrences of “How” may be slightly over-estimated in the tested two-week-year sample, and the occurrences of “Why” may be slightly under-estimated, while the percentage of “What” falls within the constructed confidence intervals when the significance level was under 5%. Furthermore, with a 1% significance level, the data collected does not sanction the assertion of significant differences between the p_i proportions of these three occurrences for Period 5 and the p^*i estimations of the theoretical two-week-years.

A first finding is the five periods of RI. They are both a result for the first level of analysis, and a step in the methodology providing units of analysis for the second level of investigation. A second finding is the emerging collective beliefs that affect the mainstreaming of RI. The implication of those collective beliefs for mainstreaming and RI in general are addressed in the discussion section.

RI periods

We found five RI periods in our data, spanning the period between 1982 and 2010: the «civil rights» years (1982-1991), the «green niche» years (1992-1997), the «professionalization» years (1998-2000), the «SRI» years (2001-2004) and the "ESG" years (2005-2010).

The first press article identified dated from 1982, which starts the first RI period. This corroborates Boxenbaum and Gond's observation that "RI terminology first appeared in the New York Times in the late 1980s" (2013, p. 13). The last press articles, dating from the end of 2010, do not signal the end of the fifth period, as no discontinuity in the RI discourse in the press was identified despite the 2008 financial crisis. From our data we can say that the financial crisis did not provoke any change in the normative foundation of finance. However the impact of the crisis may be long term rather than short term. Therefore it would be interesting to further monitor this last RI period to determine when it gives place to a new RI period, with new characteristics in terms of discourse and salient representations of RI.

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Civil rights years. Media coverage during this period is overwhelmingly turned to South Africa, apartheid, black worker wages, and targeted campaigns against companies. The main RI strategy discussed is the divestment practice. In the data, finance is linked to ethics during this period. We label it the "civil rights" period (1982-1991) because of the focus on social issues.

Green niche years. The second period (1992-1997) corresponds to the end of the apartheid coverage in the financial press. This period is characterized by low media coverage of RI. Still, there are a few references to niche financial initiatives, mostly environmentally oriented such as “green funds”. The concern for financial return linked to these ethical investments comes up for the first time in the discourse.

Professionalization years. The third period (1998-2000) corresponds to the early professionalization years. Pension funds start to get a lot of attention in the financial press, along with the issue of their social responsibility. This is a transition period during which the word “responsibility” becomes the preferred terminology when discussing ethical investments.

SRI years. In this fourth phase (2001-2004), the term “ethical” is abandoned, and the term “SRI” is introduced. The professionalization is increasing and “fund managers” and “fund management” become some of the most frequent words of the sample. With the boom in the coverage of pension funds, come the first discussions on materiality and regulation linked to RI.

ESG years. The fifth period begins in 2005, when the focus of RI shifts to climate change. It is also characterized by the combination of RI and corporate governance, which were so far treated separately. We label this last period the ESG period because media coverage is characterized by a search for neutrality in its wording, away from any ethical shade. It is also during this period that the term ESG appeared. Although our sample ends in 2010, there is no discontinuity so far that would allow closing the bracket. We therefore consider this period to be ongoing.

Collective beliefs

Our findings in terms of collective beliefs regarding RI (Table 4) consist of three second-order constructs: defining or redefining what RI is, justifying the practice or non-practice of RI and clarifying how to approach RI, which we also refer to respectively as "what is RI", "why do RI" and "how to do RI". These collective beliefs are representations that emerged as focal points for individuals who, faced with uncertainty regarding the nature of RI, attempt to determine what the market will act upon. The collective beliefs for RI mainstreaming evolved over time around each of the three constructs. The evolution of each second order construct from period 1 to 5, illustrated in table 4, shows that the number of different collective beliefs around RI increases over time, meaning that constituents increasingly share common beliefs around this activity.

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The "civil rights" years (1985-1991) are dominated by the belief that RI is about ethics, and that business and ethics are separate concerns. However there is a belief that RI will grow in the future. The «green niche» years (1992-1997) emphasize the belief that RI does not lead to better (financial) performance than regular investment strategies, but that demand may grow. The «professionalization» years (1998-2000) highlight the complexity of RI, complexity which reappears in the «SRI» years (2001-2004). However this fourth period also shows an increasing number of collective beliefs around RI including the long term perspective of RI, the need for a more sophisticated approach to practice RI, the issue of materiality and the lack of good information to evaluate companies on ESG factors. The «ESG» years (2005-2010) bring in the notion of collaboration among actors and the importance of networks. The discourse in this period highlights the importance of engaging with companies. In this last period we witness an evolution of the collective belief justifying the practice of RI: demand for RI is collectively believed to be growing, whereas in the previous periods demand for RI was seen as potentially growing in the future. Although RI is not yet mainstream, it has gained recognition among mainstream investors.

The results also show that questions of definition and understanding disappear from the debate around RI, which has shifted from "what is RI" to "how to do RI", highlighting the professionalization of the field, as illustrated in figure 3 and in the next two subsections.

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Redefining what is RI

Much of the RI discourse describes, defines or redefines responsible investment. This is particularly true in the early years of RI. We captured this discourse in the "Redefining what is RI" second order construct.

Our data show that discussions around the ethics of RI play an important role in the first three periods. However, references to ethics are often located at the personal rather than collective level. In 2001, Sparkes raised the question: «whose ethics?» is RI referring to, because personal ethics may lead to many contradictions and tensions and hinder the process of mainstreaming. But the reference to personal ethics tends to disappear as from the professionalization years. Indeed, to mainstream RI, a higher level of abstraction may be necessary, which Donaldson and Dunfee (2002) refer to as hypernorms. Hypernorms are transcultural values that include fundamental concepts of rights and social good common to most major religions or countries.

With the professionalization of RI comes a need to define the conditions and methods of the institutional investors' work (DiMaggio et al., 1983). During this period, there is an attempt to obtain a certain normative control by standardizing professional norms. As a result, the predominant preoccupation relayed by the press in recent years has to do with information availability and standardization. The collective belief informs us that there is a lack of good data. And when information is available, it is often perceived as low quality and very dispersed, which does not allow benchmarking.

> "First comes greater standardisation of SRI performance measurement. The Social Investment Forum concluded: "With different definitions of SRI, market factors, cultural concerns and methodologies for collecting data, it is difficult to make controlled comparisons on a global scale." Source: 20070305FT

The collective beliefs (re-)defining RI are characterized by ambiguity and differentiation over time: the data show a difficulty in being coherent. How can RI have values and bring financial return? Uncertainty around what is RI seems to be reduced during the green years: the belief during that period is that RI is green funds. The challenge of defining RI is not resolved for long, and resurges with the professionalization of the field. Funds cannot be "all things to all people" as one fund manager states (source: 20001026FT). This has practical implications when faced with investment decisions in grey areas and suggests a fragmentation of the RI market.

During the green years, RI has a narrow definition, making it easier to circumscribe. After the green years, RI has a broader definition. The discussion on defining RI still goes on but on a different, more granular level. The RI press coverage of the last period highlights the short-term focus of financial markets, for many reasons, including quarterly reporting and remuneration structure linked to short-term objectives. In contrast, RI is believed to have a long-term focus. Investors are left to interpret this salience in different ways. If RI is long-term, it does not fit the short-term focus of financial markets. But it also means RI can offer the long-term vision missing in financial markets. Finally, it means that any effect of RI (performance or materiality for example) would be visible in the long-term.

To conclude, the collective beliefs for defining what RI is tell us about investments driven by personal values versus hypernorms, a heterogeneous market, and long-term horizon. In addition, RI is perceived as a boundary object, with few shared representations regarding what RI is, beyond the idea that it has varying definitions, interpretations, and practical applications.

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Justifying the (non-)practice of RI

An important proportion of the discourse throughout all periods attempts to legitimize RI by building business cases and disseminating examples of RI success. Discussions on the link between RI and financial return, risk management arguments, professional legitimacy considerations, as well as the market demand for RI are themes that peak during the green niche years, then fluctuate without ever being the main issue. Interestingly, the discourse justifying the practice of RI and the discourse defining RI evolve in opposition.

The question of financial return is key in all periods, and the data show that RI funds have not yet convinced in terms of their performance. Articles relay the academic and practitioner studies trying to prove the link of financial return, and a new consensus seems to form around the idea that it is complex to prove performance. Our data for the ESG years affirm a positive link in 27% of cases and claims no financial underperformance for RI in another 27% of cases. The other 46% of the discourse states that there is a link but it is unclear, or notes that financial performance is key but that nothing more can be said about it. The collective belief is that the link between RI and financial return is inconclusive, unclear and complex, reflecting a very similar debate in academic literature.

Demand for RI is the second most important justification discourse for practicing RI. As for financial return, it is also a market driven discourse. In the first four periods, the collective belief is that there will be a demand for RI, and that it will grow. This demand is mostly believed to come from the base (private investors) and from unconventional institutional investors, such as faith based investors or NGOs. In the ESG years, the collective belief changes to *there* ***is*** *a demand for SRI and it is growing*.

--- Insert table 6 here ---

Clarifying how to practice RI

A third type of collective belief clarifies how to practice RI. This discourse is practice-oriented, addressing and discussing methods, regulations, RI initiatives, available resources and skills, accountability and materiality challenges. It steadily increases over time, and becomes the main topic in the last RI period.

With the professionalization of RI comes a need to operationalize RI. Before the SRI years, our European data make very few mentions of professional associations or RI training, and there is no mention of RI organizations with enough visibility to organize and regroup mainstream investors (except for the ICCR). In contrast, in the last period the focus of many articles is on networks, with statements such as “I invite all institutional investors to consider becoming signatories to the PRI and join a global network of peers working to address these priorities” (source: 20090302FT.2) or “an increasing number of networks are sharing information, developing knowledge centres and finding new ways to communicate" (source:

20071102FT). The collective belief at this stage is that RI requires collaborative engagement : active investors working together as described in the following quote.

> "As active owners, investors should work with investee companies to ensure comprehensive and systematic disclosure of the information they need in order to make responsible investment decisions. Ensuring the disclosure of information on ESG and other issues will enhance investors' understanding of their underlying investments and avoid a repeat of recent mistakes." Source: 20090302FT.2

Another collective belief of "how to do RI" is that RI requires a more sophisticated approach. And until this approach is available (in terms of models, of materiality assessment, of analyst skills...), the coordination process based on this collective belief may lead mainstream funds to cautiously not engage in RI. Another result of the belief may be to push institutional investors to develop the tools and models currently missing for RI mainstreaming.

--- Insert table 7 here ---

DISCUSSION AND CONCLUSION

This paper focuses on responsible investment in financial markets, informed by an alternative theory of market participants' decision making. Our analysis of the collective beliefs for responsible investment and of the evolution of these beliefs over time allows us to develop two categories of collective beliefs which influence the capacity of RI to become mainstream: justifying RI and practicing RI. We now elaborate on how our findings contribute to RI literature and extend existing accounts of collective beliefs.

On the RI periods

Our findings show that RI is regularly reformulated in new terms, translated to fit the collective beliefs of the time. Each of the five periods that we identified is characterized by its own terminology for RI, particularly the latter two in which the terms SRI and ESG were coined. Many publications give empirical evidence of RI translation in space (e.g. Sakuma & Louche, 2008, Lozano et al. 2006). Gond and Boxenbaum (2013) in particular followed the steps of RI translation to fit geographical contexts, through glocalization. They distinguished the translation in meaning brought by glocalization from an "interpretative translation, which solely involves symbolic, rhetorical or discursive changes" (p.7). In this paper we illustrate a case of translation over time rather than through space, and more specifically a translation to fit collective beliefs. In fact, we add to their assertion that translation goes beyond discursive changes if it reflects the content of the new collective belief.

On the collective beliefs of RI

Our data illustrated that beliefs are not fixed but evolve over time: from "RI underperforms" to "RI performance is inconclusive"; from "RI demand will grow in the future" to "RI demand has now grown". They thereby contribute to a changing landscape of RI. Changes in the collective beliefs are difficult because of the behavioral and institutional resistance, but possible with a significant amount of coordination work.

Convention theorists put forward a taxonomy of four types of changes in conventions: general collapse, external invasion, translation and collective agreement (Boyer and Orléan, 1992). The last three are of particular interest for considering the adaptation of conventions that investment professionals and their agents adhere to, since the industry is by nature conservative and mindful of fiduciary obligations to beneficiaries, making a slow process of change more likely than an abrupt abandonment or collapse of existing practices. The importance of legitimacy within the conventions framework also makes collective agreement, or collaboration, preferable to going alone (Guyatt, 2006). Our data show that these processes are taking place. Translation -- when the new convention integrates certain properties of the old one and is being reformulated in its proper terms-- occurred at each change of period, with the adoption of new discourse and new terminology. A large increase in articles discussing RI has occurred since the SRI years in 2001, illustrating external invasion by institutional investors -- that is, the slow increase in the number of individuals adopting the new convention until it reaches a critical mass where all will convert to the new convention. Both processes hint to mainstreaming. However, the content of the collective beliefs shows little to no sign of collective agreement (i.e. the community as a whole may recognize the superiority of the new convention and trigger a coordinated change in collective behavior). Instead, the collective beliefs recognize the complexity of RI and the need for new tools and approaches. These collective beliefs tell us RI is still under construction. Our findings raise a question for future research: how do suboptimal solutions persist? There are indeed many cases in finance where sub-optimal solutions are long lasting, such as the efficient market hypothesis.

This study follows the trajectory of multiple collective beliefs to finally identify two distinct categories of collective beliefs: “justifying RI” and “practicing RI”. Our data reveal that in the case of RI, collective beliefs “justifying RI” come first. It is not until these are largely resolved that collective beliefs about “practicing RI” dominate the discourse. These two types of collective beliefs emerging from our data reinforce an ongoing conversation about how institutions influence our thoughts and behavior. In addition, our findings illustrate how justification comes before action. This result may seem to contradict previous suggestions that the adoption of procedures comes logically prior to justification (Dequech, 2008). Although our data do not allow to explain this observation empirically, we would like to suggest that, in the case of RI mainstreaming, justification can come before action because both take place in the pre-existing context of financial markets. As a result, the objects, people and units of measurement according to which RI will be justified already exist – even if they are subsequently reinvented. In sum, the interaction between justifying and practicing plays a role in legitimizing RI and further analysis should tell us more about the implications of justification before practice.

On the implication of collective beliefs for RI mainstreaming

From our findings, it appears that investors can no longer reasonably really ignore the topic of RI. Between 1982 and 2010, 3,462 financial press articles discussing RI were published in the media sources we sampled. However is it enough to claim that RI has moved from a niche activity to a mainstream practice? Some have argued that RI has become or is becoming mainstream (World Economic Forum and AccountAbility, 2005; Robeco and Booz & Company, 2008) while others are claiming that RI remains a niche (Entine, 2008).

From the collective beliefs identified in the press, it seems difficult and premature to conclude that coordination has taken place among mainstream investors in terms of RI integration in mainstream finance. The nature of the collective beliefs remains confused and portrays a diffused perception of RI, but above all it highlights the numerous impediments for practicing RI. Those beliefs may well lead investors and analysts not to consider ESG factors. This cannot be described as an intentional strategy – this is not a case of dominant convention based on the belief that *«no one uses ESG factors»* – but rather as a result of the lack of clarity about RI. However, collective beliefs around RI are still evolving. As long as there is no collective belief encouraging the adoption of RI, sustainability remains a niche topic in financial markets. Although we cannot conclude on the existence of a collective belief leading to the integration of RI, we can say that the process of mainstreaming of RI is under way.

Our findings support that as the discourse shifted from ethics to market logics (Mehrpouya, 2011), RI matured and attained greater professionalization, but also became less critical of mainstream finance. The collective beliefs in the fifth, "ESG years", period show no sign of

RI altering the financial order, but point rather to RI being modified by conventional finance as it is slowly co-opted by the financial community. Daudigeos and Valiorgue (2010) suggest similar results for the evolution of corporate responsibility strategies, which were absorbed by the corporate system as they matured. The financial market often seems impervious to critique and to change, as illustrated by the RI periods and collective beliefs which did not change after 2008. This special issue states that, "in spite of increasing concerns about environmental and closely related social and governance issues, there has not been a significant global shift towards greater sustainability". If RI has the ambition to change mainstream finance's supply and demand for sustainability, the collective beliefs of RI have important implications. These beliefs indeed influenced the value and desirability of RI, and they do not endorse it so far.

RI in a theoretical context of market inefficiency

Because we consider that value is created at the collective level, through coordination processes and collective beliefs, our study emphasizes the meso-level, which tends to be understudied in the field of RI. In this way, convention theory is very different from typical economic theory: we are not studying micro-level individual preferences, like economic theory that presents equilibriums resulting from personal utility functions. Similarly, the focus of behavioral finance stays on the micro-level – individual's irrational beliefs – when it proposes to reconsider the rationality of actors and the efficient market hypothesis (Schleifer, 2000, p.50.). But that framework creates new challenges, in terms of how to assess value. If there is no such thing as intrinsic value then value cannot be calculated by discounted cash-flows. Furthermore, while these critiques are founded, they do not facilitate the case of RI mainstreaming because they do not fit in the financial language, which focuses on commensuration and mathematical models. If actors are irrational there is no commensuration, there is no benchmarking possible. This dilemma highlights the need for alternative models to neo-classical theories that can be translated into a market logic (Orlitzky, 2013).

With the convention theory lens, we also consider the RI market to be uncertain and confusing, thus not an efficient market. But we do not consider market players as irrational. Rather they take rational decisions based on their anticipations of collective beliefs. We built on Orléan's questioning regarding financial market's efficiency and regarding the fallacy of intrinsic value to better understand the collective beliefs around which actors coordinate. Our findings help us develop our proposition that the meso-level is the missing piece of a theoretical puzzle.

Much effort has gone into demonstrating the value of responsible investment by measuring the link between RI and financial return. Those attempting to make the business case for RI, however, end up with inconclusive or unsatisfactory results. We suggest that these studies struggle to demonstrate the value of sustainability, because they approach value as an intrinsic notion instead of considering value as resulting from coordination processes. It is not that sustainability has little or no value; rather, its value is influenced by collective beliefs.

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Table 1: Some illustrations of collective beliefs in literature

Author	Collective belief
Brière (2006)	Interest rates result from collective beliefs based on statements of the central bank
Jemel-Fornetty, Louche, & Bourghelle (2011) **Guyatt (2006)**	RI mainstreaming is slowed down by current collective beliefs
Cheung, Chinn, & Marsh (2004)	Foreign exchange spreads quoted by traders are based on collective belief due to strong market norm.
Lordon (2000)	Economic Value Added (EVA) formula spread by collective belief pushed by consultants
Gillet & Szafarz (2004)	Market efficiency hypothesis is a collective belief, not a reality
Orléan (1999)	"Asian miracle" collective belief dominated the valuation of South-East Asian countries during the mid-1990s, despite bad economic news

Table 2: Method in two stages of sampling and analysis

	Stage 1	Stage 2
Objective	Periods of RI	RI collective beliefs
Sampling	Full coverage	Theoretical years
Sample size	3,462 articles	89 articles
Analysis	Bracketing	Content analysis
Unit of analysis	RI article	5 RI Periods
Validation	Prior research	Duplication on new sample
Result	5 RI periods	2 theoretical concepts

Table 3: Five periods in the history of RI

Periods		Salient discourse
1982-1991:	Civil rights years	Civil rights, South Africa
1992-1997:	Green niche years	Niche ethical investment (green funds etc.). Limited press coverage
1998-2000:	Professionalization years	Pension funds as key actors. More neutral wording. Transition period.
2001-2004:	SRI years	Ethical discourse replaced by responsibility discourse
2005-2010:	ESG years	RI linked to corporate governance; climate change as main issue

Table 4: 3 types of collective beliefs for RI mainstreaming evolve over time

Content of collective belief	Defining what is RI	Justifying the (non-)practice of RI	Clarifying how to approach RI
period 1: Civil right years			
	RI is about ethics business and ethics are separate concerns	RI demand will grow in the future	NRQ*
period 2: Green niche years			
	NRQ	RI demand will grow in the future. RI returns underperform	NRQ
period 3: Professionalization years			
	RI is not all black or white	RI's financial performance is unclear	NRQ
period 4: SRI years			
	RI is long-term lack of information	demand for RI exists	materiality is unclear RI requires a more sophisticated approach
period 5: ESG years			
	NRQ	inconclusive financial performance growing demand for RI	RI initiatives are multiplying RI networks are important Do RI through engagement RI needs better data

*NRQ = no relevant quote

Table 5: Illustrative quotes of collective beliefs for RI: (re-)defining **what is RI**

Civil rights years	Green niche years	Professionalization	SRI years	ESG years
Personal values "Most ethical investors think the time is not yet right to relax their restrictions on groups with South African interests" Source: 19911012ft	**Personal values** "The deposits are used as loans for environmentally friendly projects in construction, farming and industry. You could say these depositors are idealistic," says Mr. Schwarz. "But there's satisfaction in their money cleaning up the air. " Source: 19960306WSJ	**Hypernorms** "When we first started out we focused on the negative side, excluding companies and trying to be all things to all people, but now we're moving into SRI." Source: 20001026FT	**Boundary object** "There are several debilitating limitations. One is the lack of a broad consensus on what actually constitutes socially responsible corporate behavior." Source: 20030303.2FT	**Common principles** "Efforts should accelerate to find greater common ground and build from there, perhaps around widely agreed upon benchmarks. Investors' ability to evaluate options and make informed choices is critical to efficient, liquid capital markets worldwide." Source: 20070305FT
	Personal values "I can think of nothing more ludicrous than investing in companies which make our future worse," says Tessa Tennant, head of global-care research at NPI. "Ethical investing isn't idealism, but	**Conflict of logics** He offers a word of caution to those marketing such funds, however, not to rely too heavily on religious sentiment at the expense of fundamentals. […] Source: 19990305WSJ		**Boundary object** "When people say they want to invest ethically, we ask them what they mean," he explains. Source: 20090411FT

	ultimate pragmatism." Source: 19960306WSJ

Table 6: Illustrative quotes of collective beliefs for RI: justifying the (non-)practice of RI

Civil rights years	Green niche years	Professionalization	SRI years	ESG years
Lower return “There are some circumstances in which that duty [of getting the best possible return] has to give way to considerations derived from Christian morality» Source: 19911012ft	**Growing demand** "Not everyone agrees, of course. But interest in ethical investment funds appears to be growing, […] there are not enough of these trusts to satisfy investor demand." Source: 19960306WSJ	**Growing demand** “In the U.K., money in funds tailored along religious or ethical lines, which tend to overlap in their investment philosophies, quadrupled in the past five years to GBP 2.2 billion ($3.55 billion).” Source: 19990305WSJ	**Growing demand** “The quest for fund managers willing - or, rather, able - to run pension fund money over the long term is well and truly on.” Source: 20030303.3FT	**Performance, an important issue** "It's no good our saying, 'we don't perform so well but count on us to save the world “. Source: 20060407FT
Inconclusive performance “Seven ethical funds were in the bottom half of their sectors and four in the top half. The record is better for the one year period […] but in that period the average ethical fund has outperformed the average unit trust.” Source: 19911012ft	**Performance, an important issue** “The novelty of Islamic funds has long ago worn off. Now, the issues are the performance of these funds compared with conventional funds, and the depth of the market.” Source: 19921005ft	**Performance, an important issue** “This brings us to the much debated question of company profits/fund performances versus morality. Can ethical investment and shareholder value really make comfortable bed partners?” Source: 19990305WSJ		

Table 7: Illustrative quotes of collective beliefs for RI: clarifying how to practice RI

Civil rights years	Green niche years	Professionalization	SRI years	ESG years
NRQ	**Uneven quality of research** “Some of continental Europe's 'green' investment funds […] claims could lose the confidence of investors because of […] low level of supporting research.” Source: 19930306ft	**Changing methods** “When the market first started it had absolutist notes and focused on exclusion. But now institutional investors are coming in on a more proactive, positive stance on behalf of their clients." Source: 20001026FT	**Materiality, key criteria** “The key litmus test will be whether performance on a given social or environmental issue provides useful insights into the company's strategic management capabilities and organizational agility.” Source: 20030303.2FT	**Uneven quality of research** “Another complication is this: how does one independently confirm proprietary analysis? More work is needed to develop objective, comprehensive and verifiable processes that enable investors to compare companies' ESG performances.” Source: 20070305FT
	Changing methods "There's a new trend in ethical investment, a pragmatism built on compromises. You take five hotel chains, for example, and pick the one which offends the least." Source: 19960306WSJ	**Engagement required** “Constructing such funds, however, presents a delicate balance between ideology, investment-management strategy, and, occasionally, shareholder activism.” Source: 19990305WSJ	**Need for comparability** “The Johannesburg Securities Exchange hopes to capitalise on both trends by launching a socially responsible investment (SRI) index. […] It will be the world's third such index, and the developing world's first, with a launch expected early next year. Source: 20031006FT	**Need for comparability** “But data are often too vague, lacking order and integrity, and there is no agreement internationally over what a sustainability report should comprise." Source: 20101004FT.2 **Insufficient transparency** “Screening is also hampered by the difficulties inherent in quantifying environmental, social and governance (ESG) issues. Data points may not be readily obtainable. Opaque corporate

	disclosures may obstruct data gathering." Source: 20070305FT>

Figure 1: The number of responsible investment articles per year increases cyclically.

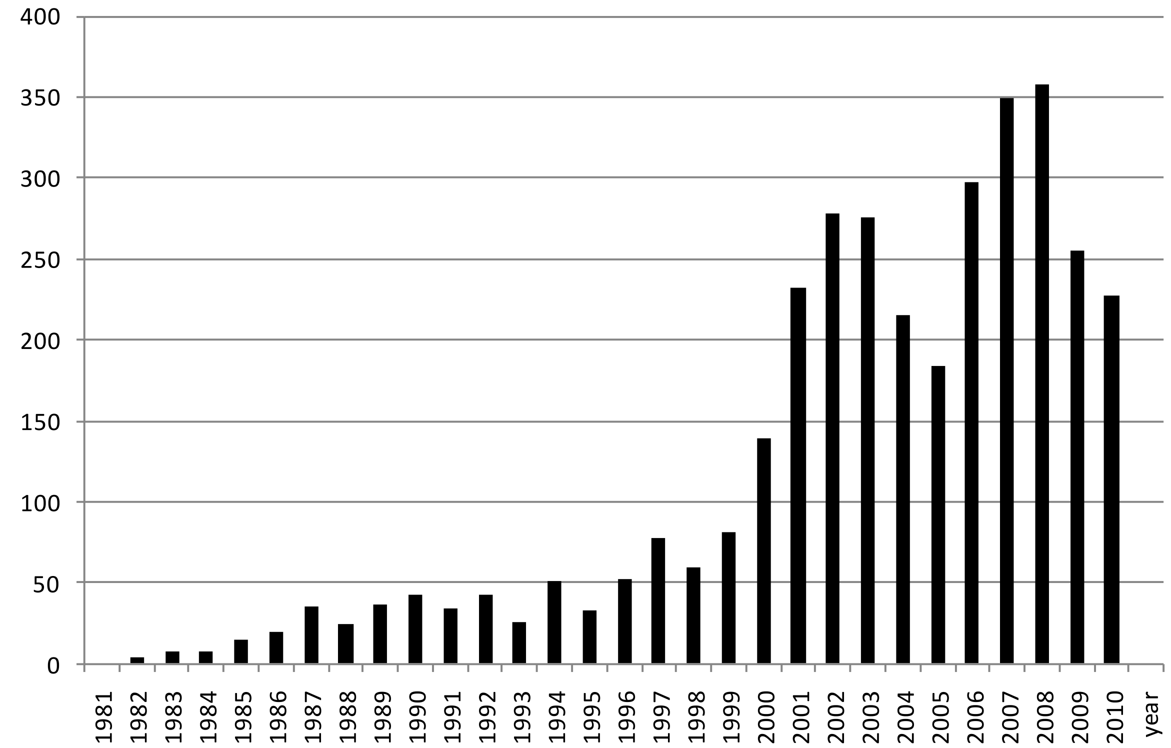

Figure 2: Three levels of coding lead to two theoretical concepts

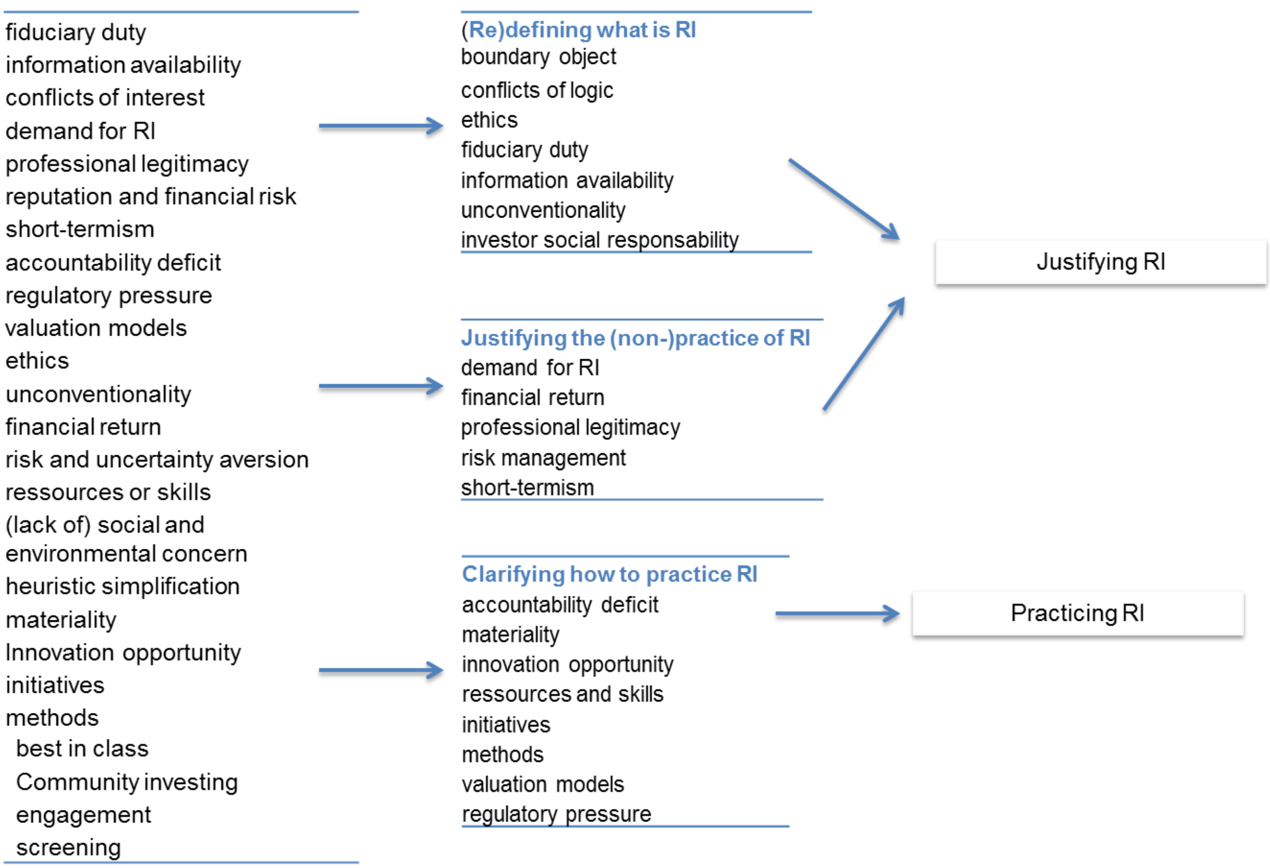

Figure 3: Three second-order constructs represent varying proportions of the discourse over time.