COMMERCIAL INVESTMENTS AND MISSION DRIFT IN MICROFINANCE: A QUALITATIVE ANALYSIS OF STAKEHOLDER PERCEPTIONS IN SWITZERLAND

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Abstract

Over the last years, the microfinance sector has become integrated into the formal financial system, exemplified by the growing trend of commercial cross-border investments. At the same time, microfinance has witnessed a number of adverse effects and controversial events in isolated trouble spots, like overindebtedness of clients, bad lending practices and initial public offerings of microfinance institutions (MFIs), which has aroused criticism. A heated debate has been raised in the community and the wider public about a possible relation between the emergence of profit-oriented international investors and these incidents. As a consequence, the mission drift issue concerned with the inherent balance between social and financial objectives has regained weight. Concentrating on the local microfinance setting, the new investor-related stakeholders predominantly from western industrialized countries have, however, barely received any attention in related scientific research and little is known about them, except for some quantitative information. Against this background, the qualitative research presented in this thesis is an exploratory analysis of stakeholder perceptions in the Swiss microfinance investment network, as one of the leading settings in this context. By applying a single case study design that relies on semi-structured interviews with members of the network and content analysis of relevant secondary data, the overarching objective of this investigation is to give an extensive descriptive account of the microfinance investor setting and the involved stakeholders and thus deepen understanding from a qualitative standpoint. From a theoretical perspective, the study thereby draws on selected concepts of the emerging stakeholder paradigm to establish a guiding conceptual framework. In particular, the value-based notion of stakeholder perceptions and mutual value creation with regard to the motivation of engaging in microfinance as well as the analytical issue-based stakeholder network view markedly inform this research. Accordingly, the guiding research question addressed is: *What implications do similarities and differences in perceptions among stakeholders from the Swiss microfinance investment network have for mutual value creation?* The findings suggest that common ground regarding fundamental value-based questions such as the motivation to engage in value creation, yet also the diversity of involved stakeholder interests, are central to facilitate superior mutual value creation within and beyond the examined stakeholder network. In addition, the case study vividly shows that mission drift is not directly of concern for investor-related stakeholders in microfinance, but nonetheless very prevalent. The results further imply that the enabling country-specific context is part of the explanation for the specific stakeholder networks' success. Further implications include the need for improved coordination between private and public stakeholders and that closer scientific attention has to be drawn to the key interaction between microfinance asset managers and MFIs.

Certification of dissertation

I certify that the ideas, experimental work, results, analyses, software, and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

Signature of Candidate Date

Endorsement

Signature of Supervisor Date

Signature of Supervisor Date

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Abbreviations

ADB	Asian Development Bank
AKAM	Aga Khan Agency for Microfinance
ASA	Activists for Social Alternatives
ASAI	Association of Social Activists International
AuM	Assets under management
BD	Berne Declaration
BFC	Business & Finance Consulting
BoP	Bottom of the pyramid
CAQDAS	Computer-assisted qualitative data analysis software
CEO	Chief executive officer
CFE	Corporation Financière Européenne SA
CGAP	Consultative Group to Assist the Poor
CMF	Center for Microfinance
CSFI	Center for the Study of Financial Innovation
CSR	Corporate social responsibility
CSSP	Center for Social and Sustainable Products AG
DFI	Development finance institution
ECLOF	Ecumenical Church Loan Fund
EMF	Enabling Microfinance Fund
ESG	Environmental, social and governance
FIG	International Guarantee Fund
FIDES	Financial Systems Development Services AG
FINMA	Financial market supervisory authority
FNG	Forum Nachhaltige Geldanlagen
FTHREC	Fast Track Human Research Ethics Committee
GMG	Global Microfinance Group SA
HEKS	Swiss Interchurch Aid
HREC	Ethical Conduct in Research Involving Humans
HSG	University of St. Gallen
IFI	International financial institution
IGO	International governmental organization
IHEID	Graduate Institute for International and Development Studies
ILO	International Labor Organization
IPO	Initial public offering
ISV	Industry Structure View

MFI	Microfinance institution
MII	Microfinance investment intermediary
MIV	Microfinance investment vehicle
MIX	Microfinance Information Exchange
MSS	Mikrokredit Solidarität Schweiz
PIIF	Principles for Investors in Inclusive Finance
PPDP	Public private development partnership
PPP	Public private partnership
PRI	Principles for Responsible Investors
RBV	Resource-based View
SCBF	Swiss Capacity Building Facility
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SHV	Stakeholder View of the Firm
SIFEM	Swiss Investment Fund for Emerging Markets
SMH	Swiss Microfinance Holding SA
SMP	Swiss Microfinance Platform
SPTF	Social Performance Task Force
SRI	Social responsible investment
SRQ	Subsidiary research question
UK	United Kingdom
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNOG	United Nations Office Geneva
US	United States
USD	United States Dollars
USQ	University of Southern Queensland
UZH	University of Zurich
VSI	Venture South International
WMFG	World Microfinance Forum Geneva
WWB	Women’s World Banking
ZKB	Zürcher Kantonalbank

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Chapter 1: Introduction

The difference between what we do and what we are capable of doing would suffice to solve most of the world's problems.

Mahatma Gandhi

In recent years, the business sector has been suffering from declining social trust on an unprecedented scale. Instances of corporate scandals, mismanagement and man-made environmental disasters have pushed multinational corporations as well as entire economies toward the brink of ruin and sometimes beyond. In the wake of the tremendous negative effects of this, the ones to suffer inevitably include society and the natural environment at large (Stiglitz 2009). At the same time, major external developments have presented the corporate sector with enormous challenges. Worrying global environmental issues, such as climate change and the relentless deterioration of natural resources, coupled with increasing social inequality and humanitarian concerns, pose a real threat to 'business as usual' (Jackson & Nelson 2004; Pirson & Lawrence 2010).

The traditional economic paradigm, in which business is seen as a purely economic and instrumental tool for the benefit of 'one winner' that 'takes it all', is no longer useful in this context (Freeman 2011). While capitalism is at a crossroads (Hart 2005), business leaders and scholars have started to recognize that the role of the corporation within the larger society has been changing and that business strategy has to be rethought in light of contemporary challenges (e.g., Freeman, Harrsion & Wicks 2007; Post, Preston & Sachs 2002; Sachs & Rühli 2011; Spitzeck et al. 2009; Stiglitz 2009).

One of the troubling assumptions of the traditional economic paradigm, in which the creation of shareholder value is the only social responsibility of business (Friedman 1962), is that it only resists when financial value creation does not create negative externalities. However, that this basic assumption is no longer or never has been valid is plain to see. Probably the most striking example has been the global financial crisis that emerged in 2008 and the ensuing worldwide economic downturn. It has shown anew that economic and, in particular, financial activities do not take place in a vacuum, but are inextricably linked to social structures and the natural environment (Beck 2010; Stiglitz 2010). Against the backdrop of the aforementioned developments, the business sector is required to not just minimize negative externalities, but in fact actively seek a positive impact. As such, the old way of thinking about business needs to be replaced by an alternative view that focuses on 'value-creation' rather than 'value-capture', and one that includes a positive concern for social problems and the natural environment (Freeman, Harrison & Wicks 2007; Pirson & Lawrence 2010).

Of particular importance for shaping such a new business paradigm are initiatives that have the ability to combine social, environmental and financial value propositions (Porter & Kramer 2006). While, to a great extent, business has been and still is treated as responsible only for creating financial value and the non-governmental or public sector for creating social value, *social entrepreneurship* allows the conceptualization of a blended value model (Pirson & Lawrence 2010). A social entrepreneur is driven by making a difference in the world based on nurturing a special kind of enterprise that may or may not earn profit but, like any other business, must not incur losses (Yunus 2009). Since they are not locked into narrow traditional business thinking, social entrepreneurs are often well ahead of established corporations in discovering profitable solutions to social problems (Porter & Kramer 2011). Microfinance, a success story in many respects, can be considered one such solution.

This opening chapter introduces the main features of the presented study. First, the contextual background leads to the problem statement, which is subsequently translated into the set of research questions addressed by this empirical investigation. Second, the specific focus of the study is justified and the levels on which a contribution to existing knowledge is made are declared. Finally, the applied research methodology and the structure of the thesis are briefly in this introductory chapter.

1.1. Background

The origin of microfinance is commonly ascribed to Muhammad Yunus, an economics professor from Bangladesh, who granted small loans to local villagers in the 1970s as an attempt to support these poor people in their productive activities (Armendáriz & Morduch 2010). After two decades of humble growth and trial and error, mainly on the initiatives of non-governmental organizations (NGOs) and with the support of official donors and international development assistance, the 1990s marked the beginning of the microfinance revolution. In order to democratize access to financial services, "…the large-scale provision of small loans and deposit services to low-income people by secure, conveniently located, competing commercial financial institutions" gained center stage (Robinson 2001, p. xxx). Since then, microfinance has made a profound transition from its modest roots as a social movement to a commercial industry that is increasingly becoming part of mainstream finance (Woller 2002).

Associated with commercialization, it has become possible to directly link the high end of global financial markets with the underserved bottom end. In concrete terms, a broad range of cross-border funders and financial intermediaries today offer socially-oriented investors, primarily from western industrialized countries, the opportunity to participate in the microfinance sector (El-Zoghbi, Gähwiler & Lauer 2011). By means of microfinance investment vehicles (MIVs), these intermediaries assume an important bridging function in linking international public and private investors with local microfinance institutions (MFIs) and hence micro-entrepreneurs in developing and emerging economies (Karrer-Rüedi 2011). In the course of a general trend towards *social responsible investments* (SRIs)[1] and *impact investing*[2], the demand for microfinance investments has also significantly increased over the past few years. Moreover, while these new types of asset classes have been gaining enormous popularity in the United States and in

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1 Social responsible investments (SRIs) combine financial objectives with concerns about environmental, social and governance (ESG) issues (Eurosif 2012).

2 Impact investing actively seeks to create positive impact beyond financial return (JP Morgan & Rockefeller Foundation 2010).

Europe lately, microfinance has especially proven to be of particular interest in recent years (Eurosif 2012).

Against this background, the basic question about the exact consequences of this trend for the various existing stakeholders and particularly microfinance clients arises. What seems certain at this stage is that as a result of the ongoing transition in which microfinance has become an attractive investment opportunity (e.g., Dieckmann 2007; Grichting 2007; Mersland 2009; Responsability 2003), commercial investors are playing an increasingly important role for the development and growth of the industry (e.g., Matthäusen-Maier & Pischke 2007; Reille & Forster 2008).

1.2. Problem statement

In view of the social and development-oriented origin of microfinance, the shift towards commercialization and the corresponding involvement of profit-oriented global financial players has, besides the many positive aspects, also given rise to a number of concerns.[3] At the forefront, fundamental questions about the interests, roles and responsibilities of new capital providers in this emerging, yet sensitive, industry need to be clarified. Stemming mostly from industrialized western countries and thus predominantly rooted in crisis-ridden capitalistic systems, the way in which these new stakeholders understand and manage the delicate balance between social and financial objectives inherent to contemporary microfinance is often viewed with a critical eye.

Only recently has a series of events in the microfinance sector led to growing controversy and criticism. In fact, incidents of client overindebtedness and bad lending practices as well as initial public offerings (IPOs) of MFIs have caused a stir within the community and the public media. In light of the increased interest in microfinance as an investment theme, reservations about the influence of

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[3] A complete overview of current risks and concerns in the microfinance industry as seen by an international sample of stakeholders can be obtained from the Microfinance Banana Skins reports conducted by the Center for the Study of Financial Innovation (see CSFI 2008; 2009; 2011; 2012).

commercial approaches in principle, and investors' commitment to social objectives in particular, have been spreading. Some have started to question whether this trend is indeed a blessing for the inherent dual value proposition, whereas others have even begun to wonder if the provision of financial services, especially credit, is in its current form not doing more harm than good to the vulnerable poor (e.g., Bateman 2010; Dichter & Harper 2007; Roodman 2010; Sinclair 2012).

In the microfinance literature, related questions to these concerns circle, in a broad sense, around the danger of a 'mission drift' – an elusive issue that has received increased attention lately. According to Andrew Hilton, director of the Center for the Study of Financial Innovation (CSFI), many in the community are now worried "...that microfinance has taken a wrong turn, that it has drifted away from its original mission, that it has been co-opted (or even corrupted) by the pursuit of size and profitability" (Hilton 2011, p. 1). Although this sentiment is being echoed by a new wave of practice-oriented publications and initiatives to cope with consequent challenges, empirical research examining the phenomenon remains relatively thin (MacDonald 2011). Therefore, efforts that aim at closing the gap between practical knowledge and scientific research in this area are considered both timely and relevant.

Moreover, the few existing scientific studies on mission drift almost exclusively focus on the MFI setting. By evaluating its potential impact on end clients in most cases, valuable insights have been gained on what a related institutional shift in the mission of MFIs means and how it can affect their behavior and performance (e.g., Christen 2001; Copestake 2007; Mersland & Strom 2010). However, the investor setting has hardly received any attention as of yet in both empirical research and the mission drift debate. This appears inadequate for the fact that cross-border funding has been a major driving force for the sector's commercialization and thus played a crucial role for the very rise of the issue. After all, without a comprehensive understanding of investor-related stakeholders and their agenda, it seems unrealistic to fully understand this phenomenon and its industry-wide implications. Consequently, empirical research that adds to existing knowledge by combining a focus on the mission drift issue with the perspective of stakeholders from the microfinance investor setting is deemed equally necessary as it is innovative.

1.3. Research questions

Derived from the problem statement outlined above and informed by selected concepts of stakeholder theory as well as microfinance research, discussed in detail over the course of the next two chapters, the following guiding and subsidiary research questions have been formulated. The specifying subsidiary research questions are thereby to be understood as preliminary empirical stages, leading the way towards answering the guiding research question.

Guiding research question:

> *What implications do similarities and differences in perceptions among stakeholders from the Swiss microfinance investment network have for mutual value creation?*

Subsidiary research questions:

1) *How do stakeholders from the Swiss microfinance investment network perceive the motivation for engaging in microfinance?*

2) *How do stakeholders from the Swiss microfinance investment network perceive mutual value creation?*

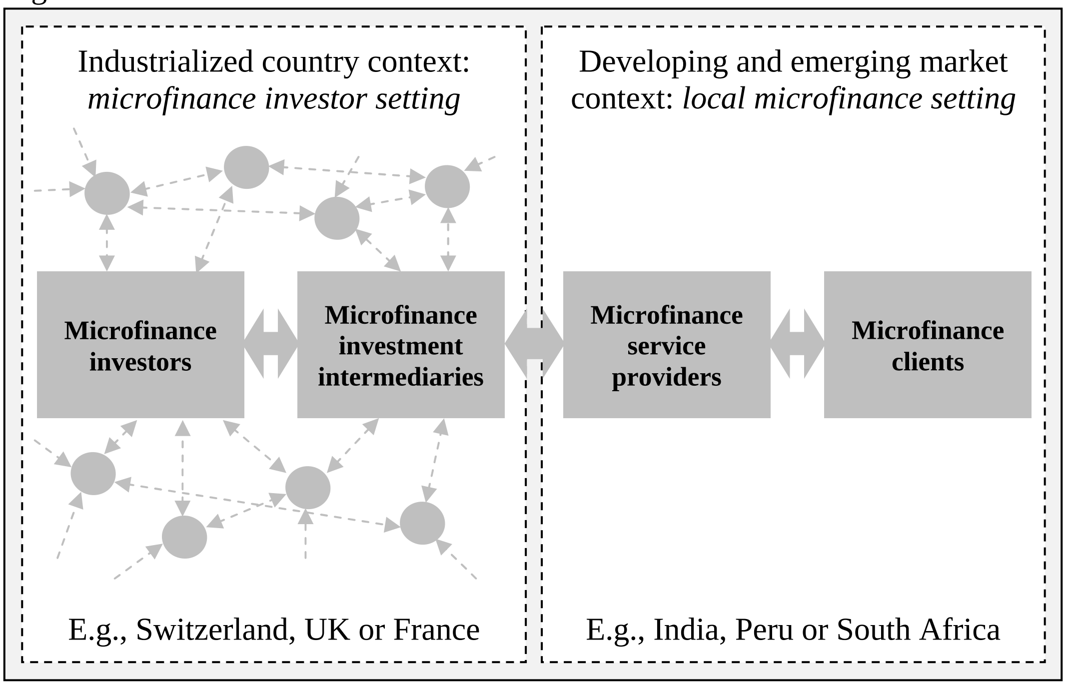
3) *How do stakeholders from the Swiss microfinance investment network perceive the mission drift issue?*

4) *What are the similarities and differences in these stakeholder perceptions?*

By addressing this specific set of research questions, the present investigation essentially stands for an exploratory qualitative analysis of a distinct subset of stakeholders, which essentially represents the funding or investment part of the microfinance value chain. Hence, the study explicitly focuses on stakeholders related to commercial microfinance investments rather than microfinance in general, but nonetheless has implications for the latter.

For this sort of investigation, Switzerland provides a preferable and unique country-specific background. Not only has Switzerland been one of the birth places of commercial investments in microfinance, but it still is one of the world leading countries in this investment area today, hosting among others the two largest multi-fund asset managers specialized in microfinance (e.g., Dominicé et al. 2011; MicroRate 2010; Vogel-Misicka 2011). Strictly speaking, the stakeholder network of interest - in the remainder of this work referred to as the *Swiss microfinance investment stakeholder network* - consists of various individuals and institutions that are involved in or can directly be related to microfinance investment activities. The scope of stakeholders is thereby, in a metaphorical sense, limited by Swiss borders. As shown in Figure 1-1, the typical view of the microfinance value chain is accordingly complemented with a stakeholder-oriented network perspective in order to more accurately account for the specific research context.

Figure 1-1: **Microfinance value chain and stakeholder network of interest**



(Source: adapted from Goodman 2007, p. 22, and Oehri, Dreher and Schäfer 2011, p. 28)

Two important aspects further create clarification on the way in which the research questions have been formulated. On the one hand, the stakeholder theory-based conceptualization of stakeholder perceptions with regard to stakeholders' engagement motivation as well as the concept of mutual value creation has given shape to the study, as evidenced by subsidiary research questions 1) and 2). These well-established theoretical notions advanced by the emerging stakeholder paradigm (see Sachs & Rühli 2011), are most adequate to explore the purpose, values, and interactions of a poorly understood stakeholder network with regard to a strategically relevant issue at its center. As indicated before and reflected in subsidiary research question 3), referring to the mission drift issue additionally serves the purpose of relating the perception analysis closely to contemporary microfinance practice and literature. On the other hand, the population of relevant actors for this investigation has been recorded in a preliminary stakeholder identification process. Each actor has subsequently been assigned to one or more of three purposive and all-inclusive stakeholder groups:

A) Swiss microfinance asset managers
B) Microfinance investors and their Swiss wealth advisers
C) Swiss microfinance experts

While these stakeholder groups broadly mirror the varying levels of the upper microfinance value chain, the main idea behind this functional categorization is to give structure to the studied network and facilitate a comparative perception analysis among participants in the sense of subsidiary research question 4). However, group allocations were kept flexible throughout the empirical research in order to constantly evaluate and, if necessary, reassign individual stakeholders based on direct observations. The guiding research question addressed in this study, finally, evaluates the implications of stakeholder perceptions within the specific network for mutual value creation in a wider context.

1.4. Justification

Within the last few years, microfinance has been turning into a global and mature industry in which numerous international actors, such as lenders, consultants, rating agencies, networks, associations, donors and investors[4], have become active (Khavul 2010). This process of growth and expansion has not only introduced the need to understand the impact of these stakeholders' presence (Mersland & Strom 2009), but has also created opportunities for scholars to make a difference in understanding this complex phenomenon through their research.

Management research on microfinance is still limited, even though it holds the potential to substantially add to the discussion in both academia and practice. In order to identify opportunities for research efforts in this new field, Khavul (2010, p. 66/67) suggests that one approach for management scholars could be to follow the capital along the microfinance value chain from its source, through its distribution, to its utilization:

> At each point there are unanswered but intriguing questions – about the investors who look at microfinance as an opportunity to do good and do well, about MFIs who created financial markets where few existed before, and about their clients whose investment decisions are looked on with hope for economic growth.

Microfinance is thereby considered to be a flexible phenomenon that can be analyzed on multiple levels, using multiple theoretical perspectives and multiple empirical tools. For management research, a whole range of useful and suitable questions that specifically focus on the investor setting consequently offer themselves according to Khavul (2010, p. 67):

> Do financial investors in microfinance have different expectations from corporate investors? What are the corporate social responsibility expectations from investing in microfinance? How do investors decide which microfinance organizations to select as partners and on which parts of the world to focus? Do they embed in relationships with multiple microfinance organizations or develop deep ties with a few?

4 In the context of microfinance, the term 'donors and investors' encompasses a range of funding agencies including bilateral donors, foundations, multilateral development banks, and socially oriented private investors. However, while donor and philanthropic capital are deployed without expecting any financial return, commercial funding involves by necessity the expectation of a financial return on investment (CGAP 2006). Therefore, the term 'investor' is used in the remainder of this work in the sense of commercial investors only. The term thereby includes both public and private as well as debt and equity investors, unless otherwise stated.

> How do they monitor investments, assess the risks involved, and value the investment portfolios? Do investments in microfinance have value to their customers? …In light of the financial crisis, how has risk valuation changed? What are the exit strategies from investments in microfinance?

While the variety of these open questions clearly reveals the need for management research on microfinance investments, each of them would qualify for an individual research project. Therefore, the study presented in this work is an early exploratory effort to make these types of questions on investor-related microfinance stakeholders more comprehensible. Based on first scientifically rigorous insights, the study provides guidance for future scholarship inasmuch as it unveils relevant avenues to explore in more depth.

1.5. Contribution

In an effort to push back the frontiers of contemporary microfinance research by drawing on established theoretical concepts of the emerging stakeholder paradigm, this qualitative investigation makes a contribution in at least three different areas; practice-oriented, theoretical, and empirical. In a broad sense, these contributions also reflect the significance as well as the expected outcomes of the study.

Practice-oriented contribution. First and foremost, at a time when the microfinance sector is confronted with negative headlines and actors along the value chain have come under scrutiny from their broader stakeholder environment, it seems most important to add to clarification and transparency on the evident tensions so as to provide a basis for reassessing expectations and rethinking policies. Therefore, the major practical contribution of this investigation lies in the aspiration to shed light on the investor side of microfinance. Moreover, recent developments and events had, to some degree, a negative impact on the public opinion about microfinance and fueled speculations about a unilateral commercialization in the local and international press (e.g., CSFI 2011; Dahinden 2011; Evans 2010; Jacquemart 2011; The Economist 2010). In order to counter these sector-wide challenges more effectively, the study adds to a more comprehensive understanding of the industry by analyzing the perceptions of an emerging, yet poorly understood subset of critical stakeholders.

Theoretical contribution. Second, the research breaks new ground from a theoretical point of view. As a ‘social business’ sector, microfinance incorporates an approach to private business management that focuses first and foremost on the generation of a social good rather than a financial benefit (Yunus & Weber 2009). In this specific context, hardly any in depth research was found that explicitly draws on stakeholder theory.[5] However, the two realms share much in common and the stakeholder approach lends itself to an exceedingly valuable and suitable theoretical foundation to investigate this novel and unique business sector. The contribution to stakeholder theory, in turn, arises from an extended field of application and new empirical insights on the constituent theoretical concepts relied on in this study.

Empirical contribution. Third, through the use of a qualitative case study design and an issue-based network perspective, the proposed research entails empirical significance. With respect to empirical research on microfinance investments, existing contributions predominantly aim at interested financial institutions and the investor landscape and thus pursue, for the most part, promotional goals. As a consequence, the body of empirical knowledge is confined to quantitative information to a high degree. In response to this limitation, the presented investigation fills a research gap by contributing to and stimulating empirical analysis towards a qualitative and hence more comprehensive understanding of microfinance investments and the involved stakeholders.

1.6. Methodology

After having declared the intended contributions to the existing body of knowledge, the following paragraphs give an introductory overview of the basic plan for conducting the empirical research. The outline rudimentarily informs

[5] Exemptions in a broad sense are the contributions of Hartarska (2005), Hudon (2010) and Mori (2009), which all focus on the identification and effects of stakeholder representation on the board of MFIs.

about the overall research design as well as the procedures adopted for collecting and analyzing the data. Chapter 4, Methodology, revisits and further elaborates the methodological characteristics of this study.

Research design. A qualitative methodological approach is taken to address the underlying research questions for several reasons. Above all, the objectives of the investigation, the nature of its practice-oriented background and the state of knowledge and research of relevant disciplines imply that a qualitative case study based on interpretivist assumptions is the most appropriate path of inquiry. Further criteria in support of this research design include the investigator's training and experience with it as well as its acceptance among the academic target audience. Moreover, by shedding light on a field that has sparsely received attention in past research, the country-specific case study explicitly entails exploratory character. Thereby, the studied stakeholder network as the empirical 'case' entails several analytical levels of subunits; whereas the level on which the outcomes of interest are expected is the aforementioned stakeholder groups, the level on which data is collected is the individual. Conceptualizing the examined setting in this way more specifically implies the use of an *embedded single-case study* design according to Yin (2009).

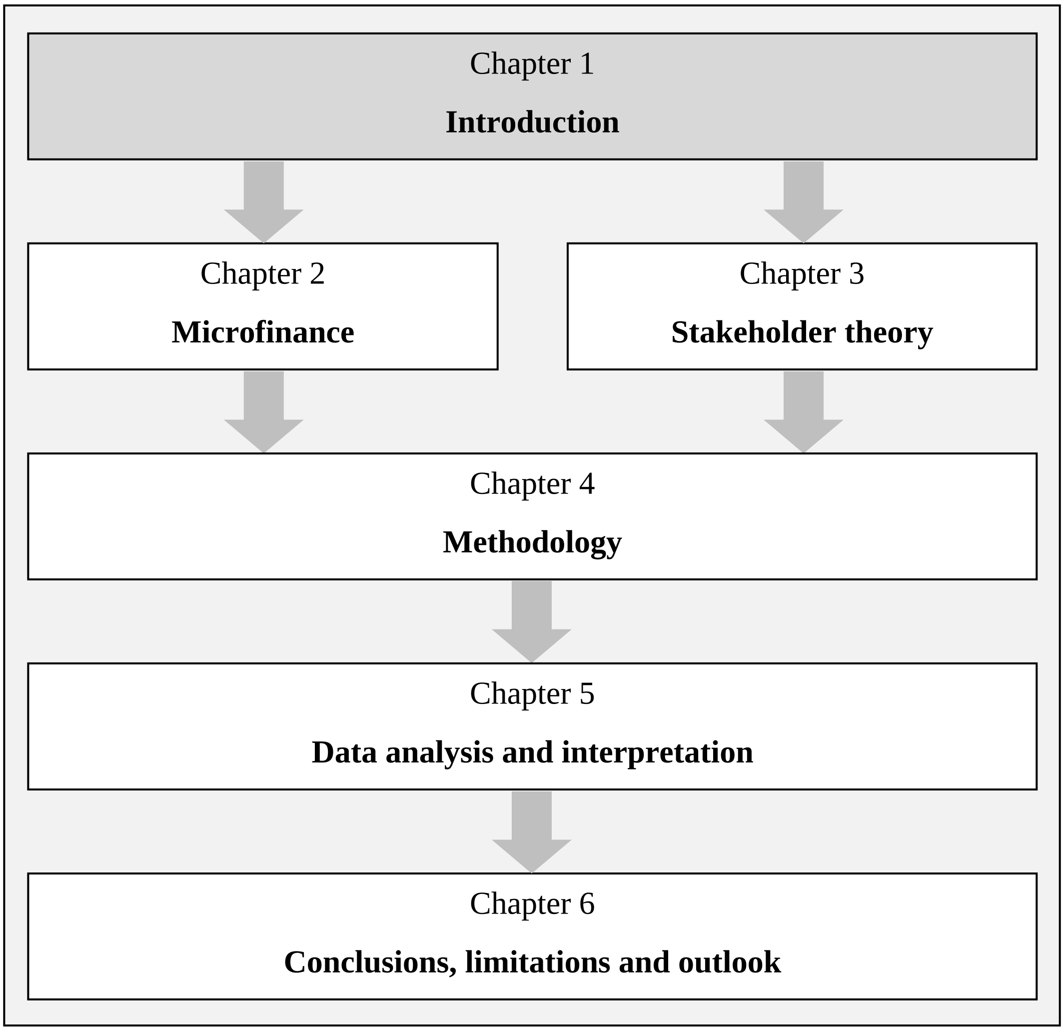
Data collection strategies. The study presented in this work relies on different types of data sources. On the one hand, primary data has been collected by means of semi-structured expert interviews. Respondents initially identified through a snowball system were subsequently selected based on a stratified and purposeful sampling according to their stakeholder group affiliation. In total, 15 face-to-face interviews have been conducted with an average duration of approximately one hour. On the other hand, secondary data has been used to counter common problems of interview-based qualitative research and to corroborate primary evidence. Analyzed secondary evidence included another 16 published interviews with relevant stakeholders and a criteria-based selection of 57 publicly accessible documents including market, corporate and media reports, practice-oriented papers, newsletters as well as two TV reportages. Throughout the process of the empirical research, a case study diary has been kept and an extensive case study database to store and organize relevant evidence has been established. In a preliminary stage, a pilot study involving the analysis of three primary interviews and a dozen secondary documents has been carried out in order to reaffirm data access and collection plans, refine interviewing techniques and prevent common data validity issues from early on.

Data analysis procedures. The overall analytical strategy of this case study is a combination of case description, pattern matching and the formulation of theoretical propositions (see Yin 2009). In doing so, the process of data analysis and interpretation has involved several procedural steps that often ran parallel to data collection. After having edited the qualitative evidence in the form of narrative text, *ATLAS.ti*, a computer-assisted qualitative data analysis software, not only markedly assisted the organization and coding of the data, but also supported the interpretation and reporting of results. The corresponding code list was, prior to the pilot study, primarily derived from the study's contextual and theoretical foundations. The code system was then continuously adapted and further supplemented with inductive codes. During the process of computer-assisted coding, each piece of evidence was assigned to general and specific categories, patterns in the data were identified as well as traced throughout the course of the analysis and notes were taken in order to generate meaning from the data. Altogether, this procedure finally ensured accurate interpretation of the collected qualitative evidence with regard to the underlying research questions.

1.7. Structure of the thesis

In principle, the course of the present work adheres to the steps of the research process and thus to a widely accepted model for presenting research theses (see Perry 2002). As shown in Figure 1-2, the thesis is structured into six chapters. So far, the *first chapter* has established the background to the study and accounted for the underlying research problem that has subsequently been translated into one guiding and four subsidiary research questions. The opening chapter has also declared the different levels of contribution to existing knowledge and gave an introductory overview of the applied research methodology, before concluding with the current outline of the work's structure.

Figure 1-2: **Structure of the thesis**



(Source: own figure)

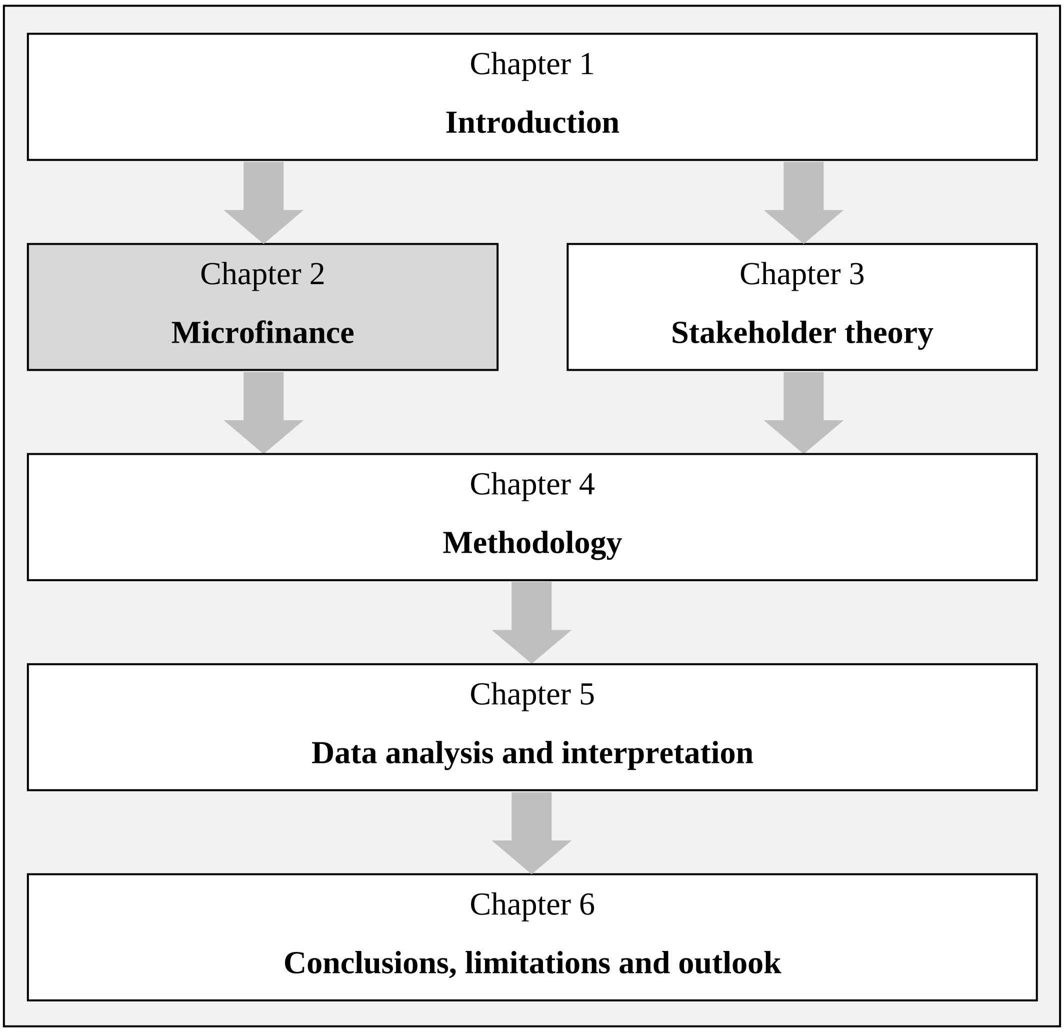
The literature review of the involved disciplines is for the purpose of clarity, and due to their slightly different roles, broken down into the next two chapters. On the one hand, the *second chapter* establishes the practice-oriented context by reviewing microfinance literature that directly relates to the research problem. Drawing on relevant insights from both scientific and practice-oriented literature, the principal aim is to elaborate the phenomenon of microfinance investments and the mission drift issue, and locate these themes within the wider context of major developments in the sector. Moreover, the second chapter involves a detailed description of the Swiss microfinance investment stakeholder network as the empirical case under investigation. On the other hand, *chapter three* provides the theoretical foundation of this study. In principal, the relevant theoretical concepts of the emerging stakeholder paradigm are introduced and specified; stakeholder perceptions, the engagement motivation of stakeholders and mutual value creation as well as the issue-based stakeholder network view. Eventually, the literature review culminates at the end of the third chapter in the presentation of the guiding conceptual framework.

As indicated earlier, *chapter four* then comprehensively informs about the methodology applied in this study. Opening with the underlying philosophical orientation, the employment of a qualitative research approach is initially justified. The following sections detail the specific research design with a special focus on case study research and discuss the methods used for data collection and data analysis. Finally, the limitations of the applied methodology are addressed and ethical issues are accounted for.

The subject of *chapter five* is the data analysis and interpretation. Building on the extensive case description in the second chapter that serves as an analytical point of departure, the empirical evidence is presented, analyzed and interpreted along the above outlined research questions. In concrete terms, a group-by-group analysis of stakeholder perceptions is followed by a comparative analysis that eventually allows addressing the guiding research question. At last, a conclusion on the study's main findings completes the fifth chapter.

Finally, the *sixth* and last *chapter* of this thesis summarizes and critically reflects the investigation's findings in terms of main conclusions. By inferring back to theoretical and practice-oriented literature, the results of the study are interpreted and assessed in-depth. The final section presents the implications for stakeholder theory and microfinance, discloses the limitations that came up over the course of the empirical analysis and offers an outlook for future research on the involved disciplines and concepts.

At the beginning of every subsequent chapter a variation of Figure 1-2 highlights the topic to be covered in order to help the reader to locate the contributions of each chapter into the broader context of the thesis as a whole.


Chapter 1
Introduction
Chapter 2
Microfinance
Chapter 3
Stakeholder theory
Chapter 4
Methodology
Chapter 5
Data analysis and interpretation
Chapter 6
Conclusions, limitations and outlook

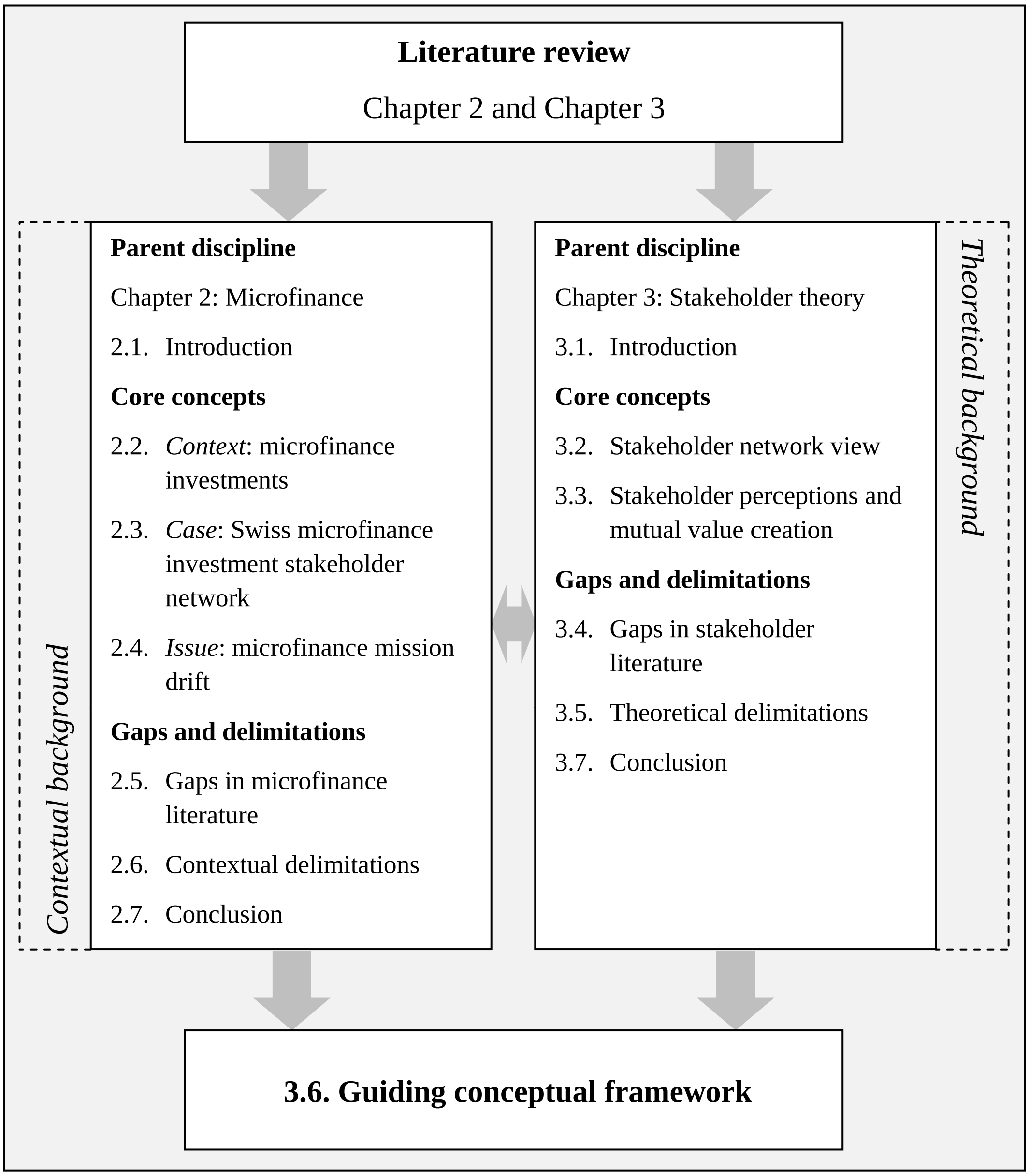
Chapter 2: Microfinance

After having introduced the study in the opening chapter, the following chapters present its contextual background and theoretical foundation. A thorough discussion of relevant research and literature on microfinance and stakeholder theory serves as a basis for examining the research problem. The review is thereby confined to existent practical and scientific knowledge that directly contributes to an understanding of the research questions addressed in this study. Accordingly, it is not meant to be all-encompassing. In the remainder of this opening section the structure of the literature review, depicted in Figure 2-1, is outlined in more detail.

The literature review is divided into two collateral parts. The current chapter, Chapter 2, Microfinance, presents the relevant themes of microfinance as the contextual parent discipline. After a focused introduction into the field, the immediate discipline of interest - microfinance investment - is elaborated with respect to the involved stakeholders. Subsequently, the concrete country-specific network under investigation is introduced and specified along the three predefined stakeholder groups. The extensive description of the case aims at leading the way towards the empirical analysis from early on in this work. Particular attention is then given to different thoughts and opinions on the commercialization of the sector, followed by an extensive discussion of theoretical and empirical literature on the mission drift issue. A broad conceptualization of the issue serves as a suitable subject to investigate stakeholder perceptions of critical questions related to contemporary microfinance activities as well as mutual value creation among the concerned stakeholders. The identification of relevant research gaps, contextual delimitations and a conclusion on the microfinance literature review ultimately complete this chapter.

Chapter 3, Stakeholder theory, thereafter, introduces stakeholder theory as the substantive theory and theoretical parent discipline behind this study. After introducing the overarching stakeholder-oriented framework - the emerging stakeholder paradigm - the relevant concepts as a constituent part of the stakeholder model are derived from their theoretical foundations. Then, the notion of stakeholder perceptions with regard to the purpose-driven engagement motivation of stakeholders and mutual value creation is elaborated. As the analytical lens for this investigation, the stakeholder network view is subsequently discussed with a focus on issue-based networks. Similarly to the previous chapter, the third chapter comes to an end by outlining the relevant research gaps and theoretical delimitations. Before drawing a final conclusion, the synthesis of relevant contextual and theoretical concepts discussed over the course of this literature review results in the presentation of the guiding conceptual framework.

Figure 2-1: **Detailed outline of the literature review**



(Source: own figure)

2.1. Introduction

Not so long ago, microfinance started out as a simple idea; to provide poor people with small loans to help them launch or engage in small businesses. The predominant aspiration of pioneers was that economically active people could eventually lift themselves and their families out of poverty by means of their entrepreneurial ability. In its most ambitious form, the ultimate vision of the microcredit movement was a poverty-free world (Yunus & Jolis 1998). Today, microfinance is a far-ranging and dynamic industry, built around different types of institutions that offer a diverse range of financial services to a specific clientele in developing and emerging economies. While lending has remained a core activity, the provision of microfinance now includes potentially any financial product and service an institution can offer given the peculiarities of the market and customer needs at the bottom of the pyramid (Cull, Demirgüç-Kunt & Morduch 2011).[6]

Over the course of its relatively short history, microfinance has changed drastically and, in equal measure, so have the aspirations evolved. Generally, microfinance has been taken towards a more nuanced idea of enhanced well-being of low-income households based on access to financial services. Proponents believe that, if well-designed, it has the potential to improve the living standards of millions of unbanked poor.[7] However, extreme views and misconceptions remain. While some still conceive microfinance to be the silver bullet against poverty, others increasingly criticize that it is falling short of its pledge and yet others have never seen in it more than another wave of usurious practices reframed and glorified (Armendáriz & Labie 2011).

In the upcoming introductory sections, important terms and classifications of microfinance are defined first. Afterwards, the state of research and literature,

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[6] The economic term of the "bottom of the pyramid" (BoP) was originally introduced to draw attention to the largest, but poorest proportion of the world population that is excluded from the private economic sector (Prahalad & Hart 2004). Today it is therefore often used in relation to business opportunities that emerge within this segment, such as microfinance (Rhyne 2009).

[7] The term 'unbanked poor' is peculiar to the microfinance or financial inclusion area and refers to poor people in developing and emerging countries who are excluded from formal financial markets (Armendáriz & Labie 2011).

which is characterized by a dichotomy between scientific and practice-oriented contributions and a dominance of impact studies, is discussed with reference to the implications for current research efforts. Eventually, the persistent market imbalance is taken up as a thematic transition for elaborating microfinance investments as the specific context for this investigation.

2.1.1. Definitions and classifications

As within any emerging field, the fast growth, profound changes and persistent polarization have among others led to considerable confusion about the terminology used to describe the practice of microfinance. It thus makes sense to first clarify and define important terms as well as classifications, before discussing the central topics in more detail.

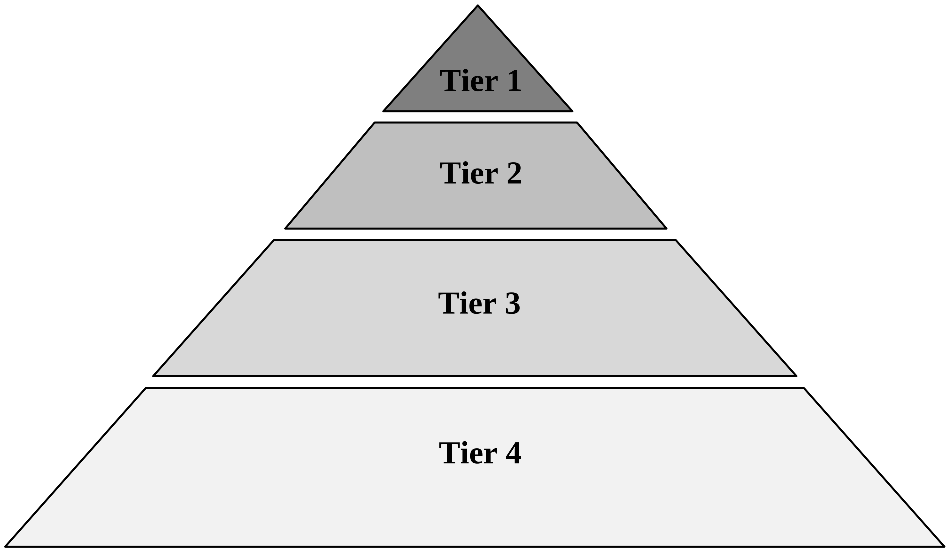
Microfinance. Since the original term of ‘microcredit’, which exclusively refers to the supply of small business loans, has begun to be replaced by the much broader term of ‘microfinance’, various definitions of the latter have established themselves in different contexts. In terms of the central aspects most of them share in common, microfinance is the response to the demand for financial services of low-income households and microenterprises that have no or only limited access to formal financial markets (e.g., Asian Development Bank 2000; Armendáriz & Morduch 2010; McGuire & Conroy 1998). Providing a set of financial practices designed to serve the unbanked poor should help them to raise income, build assets, smooth their consumption and cushion themselves against external shocks (e.g., Armendáriz & Labie 2011; Helms 2006). Beyond the supply of loan products for a wide range of purposes like business, housing and education, the provision of microfinance services nowadays includes, but is not limited to savings, insurances, remittances and payments (CGAP 2013a).

For analytical purposes, a functional, more comparative definition of microfinance has further proven useful. As opposed to financial services in general, microfinance represents in this sense “…retail financial services that are relatively small in relation to the income of a typical individual. Specifically, the average outstanding balance of microfinance products is no greater than 250% of the average income per person" (MIX Market 2013a). Whereas quantitative analyses, like most impact studies for example, rely on such clarity and definiteness, a functional definition has its limitations from a value-based perspective. Taken by itself, it falls short of conveying an understanding for the human nature behind and the objectives shaping the phenomenon. Therefore, a qualitative understanding in the form of the first definition seems more appropriate in the context of this study, inasmuch as it explicitly accounts for the social and development goals behind the movement. In addition, a qualitative definition places a stronger focus on the recipients and their relationships with service providers, thus the human side rather than the product side. Without rejecting a quantitative conception, these qualities seem essential from a stakeholder-oriented perspective.

Microfinance service providers. Besides a diverse group of state sponsored and cooperative institutions (see Christen, Rosenberg & Jayadeva 2004), alongside 'downscaling' local commercial banks (see Marulanda & Otero 2005; The Economist 2005; Valenzuela 2002), microfinance services in emerging and developing market countries are mainly provided by MFIs (Copestake 2007). MFIs differ widely in their legal forms, service portfolios, pricing policies and refinancing strategies.[8] The most common way of classifying MFIs is hence by their degree of institutional maturity. As illustrated in Figure 2-2, four categories in the sense of 'Tiers' are normally distinguished. While these Tiers can be defined differently (see MicroRate 2013), the following description is, for simplicity reasons, based on universally accepted criteria.

[8] Common legal statuses of MFIs are NGOs, non-bank financial institutions, and commercial banks (Armendáriz & Morduch 2010).

Figure 2-2: **Segmentation of microfinance institutions**



(Source: adapted from Meehan 2004, p. 7)

Tier 1 MFIs, at the top of the pyramid, are mature and profitable. In the majority of cases, these institutions are licensed banks, regulated by a state authority and covered by rating agencies. Although they represent only a small fraction of the total number of institutions, they serve, in terms of outreach[9], the vast majority of borrowers and hold most assets. As a general rule, only these top-tier MFIs are allowed to accept savings and are attractive for commercial investors due to their regulatory status. *Tier 2* MFIs are smaller and are not usually financially self-reliant yet. While not all of their processes are perfectly structured, these institutions are in line for a conversion into formal banks. The bulk of MFIs, however, are NGOs or start-up organizations at the *Tier 3* and *Tier 4* level. These institutions are more often than not unprofitable and exclusively follow social objectives that do not necessarily comprise a main focus on microfinance (Becker 2010; Dieckmann 2007). In general, a growing divide has emerged over the last years between more commercially-oriented top-tier MFIs and institutions on lower levels of the above pyramid (Meehan 2004; Schmidt & Ramana 2010).

9 The term ‘outreach’ refers to one of several indicators by which the social performance of an MFI or a microfinance program can be measured. Breadth of outreach thereby refers to the number of clients served, whereas depth of outreach or poverty outreach refers to the poverty level of served clients (Rosenberg 2009).

Transformation. The transformation of microfinance service providers along these Tiers into more formal financial institutions has important implications for MFIs themselves, their clients and external investors as well as the regulatory framework. While transforming into a first-tier institution typically requires approval by local banking authorities, regulated MFIs are in principal allowed to offer crucial services to clients beyond microcredit, including saving deposits and insurances (Frank 2008). Deposits are, in turn, important additional financing sources for licensed MFIs, allowing them to become financially less dependent on external funding. Generally, MFIs thus strive to transform into for-profit and commercial financial institutions in order to offer a broader range of services and become financially self-reliant to a certain extent, while the role of external funding would ideally be seen in supporting the transformation of lower-tier MFIs. Furthermore, with the possibility for microfinance service providers to transform into more formal institutions, the need to implement adequate regulatory and supervisory frameworks has arrived (e.g., Armendáriz & Morduch 2010; Rosengard 2011). Given the importance of this process for the development of local microfinance markets, the main challenge is to introduce enabling regulation and supervision without impeding international funding activities. These developments go hand in hand with the broader trend towards commercialization in microfinance.

Commercialization. The term 'commercialization' is used in different ways at different times in the microfinance literature, so nuances in its definition require precision. Sometimes commercialization is understood in an institutional sense to indicate a shift in MFIs' preferred sources of capital. While, in the early days, microfinance service providers exclusively relied on the financial support of donors, philanthropists and governments, nowadays many MFIs strive to switch from a non-profit strategy to a profit-making business model in order to attract the interest of commercial investors, thus limiting their dependency on subsidies and donor capital (Armendáriz & Morduch 2010; Bruck 2006; Evans 2010; Smith, Broderick & Winsor 2007). In line with this understanding, commercialization can be characterized, by definition, along three essential elements; profitability, competition and regulation (Christen 2001). Accordingly, this notion of the term exclusively applies to large and regulated top-tier MFIs that have already adopted a for-profit business approach.

More often, however, the term commercialization is used "…to indicate the application of market-based business principles to the management of microfinance institutions" (Armendáriz & Morduch 2010, p. 242). Broadening the scope to include a range of associated activities, the trend could in this sense equally apply for top-tier as well as subsidized MFIs and even NGOs. Woller (2002, p. 13) argues in critique of Christen's (2001) view that the transformation into a top-tier institution is not a qualification for commercial MFIs per se. As a result, he portrays the phenomenon more broadly as the adoption by MFIs of commercial approaches to microfinance, typically, but not necessarily, in response to market forces. Commercial practices, for example, include the implementation of cost-saving technologies, gathering, disseminating and using market intelligence, or the introduction and market testing of new products and services (Woller 2002). Such an understanding of commercialization, however, again leaves the specific implications for an MFI's legal status, funding structure or business mentality that arise from a commercial approach unanswered.

In their country studies on behalf of the Asian Development Bank (ADB), Charitonenko, Campion and Fernando (2004) are more comprehensive regarding the understanding of commercialization in microfinance. On the one hand, they note that institutional commercialization should be considered as a progress along a continuum. The different steps MFIs pass while progressing towards commercialization thereby include;

1) the adoption of a professional, business-like approach to administration and operation,
2) progression towards operational and financial self-sufficiency,
3) the use of commercial sources of capital,
4) and finally the operation as a for-profit, formal financial institution.

On the other hand, they argue that on an industry-wide level, ‘commercial’ is not solely dependent on the nature of the supply of microfinance by a variety of providers, but rather takes into account factors of the operating environment that enable or constrain the provision or access for commercial microfinance. These factors include, for instance, the policy environment, legal frameworks, regulation and supervision, the access to capital markets and a broad spectrum of service providers (Charitonenko, Campion & Fernando 2004).

In conclusion, the commercialization of microfinance is a multifaceted phenomenon that needs to be understood in all its complexity. Factors within the business environment are thereby as important as the diverse organizational aspects and transformational steps. Only a sophisticated and broad understanding of the trend, as conveyed by the definition presented last, serves in this study as an appropriate contextual foundation for the qualitative exploration of commercial investments and mission drift in microfinance.

2.1.2. State of microfinance research and literature

Scholars and practitioners alike have written much about microfinance. But practice-oriented and scientific bodies of literature “…have for the most part grown up separately and arguments have seldom been put into serious conversation with each other” (Armendáriz & Morduch 2010, p. xiv). This dichotomy has distinct implications and limitations for current research efforts like the one presented. Above all, it urges corroborating practice-oriented insights with scientific knowledge whenever possible, but also necessitates a mere reliance on practical wisdom where existing empirical research is thin or entirely unavailable.

On the one hand, academic research in the field of microfinance, as it is known today, is relatively young and the overwhelming majority of peer-reviewed literature has been published within the last decade or two (see Armendáriz & Morduch 2010). Over this period, however, scientific work on microfinance has found its way into mainstream finance and investment theory (e.g., Becker 2010; Conning & Morduch 2011), organization theory and institutionalism (e.g., Battilana & Dorado 2010), and, last but not least, into management studies (e.g., Khavul 2010). Consequently, microfinance has produced a distinct and diverse body of scientific literature.[10] On the other hand, practice-oriented contributions have substantially added to the body of knowledge on microfinance as well. Valuable information and real-world insights on market developments, trends and events in addition to standard reporting on involved institutions have generally been shared. Frequently, action research on the most pressing issues in the sector has further been carried out by independent practical policy and research centers. Most of this practice-oriented literature has been commissioned, conducted and published either by commercial organizations such as specialized rating agencies, consultancy firms and financial institutions, or by government agencies and NGOs and is typically made available on specialized knowledge platforms (Brau & Woller 2004).[11]

An issue that has preoccupied professionals from both practice and academia in recent years, to a large extent, is the impact evaluation of microcredit and microfinance programs. While the former have mostly engaged in social performance[12] assessments of MFIs, the latter have mainly focused on field-based empirical analyses (Krauss 2011). The predominance of impact studies in existing microfinance literature plays a critical role in the context of this study as the controversial outcomes of this particular research stream is considered to have a major bearing on current stakeholder perceptions.

Impact assessment. With respect to the significance of microfinance as a part of international development programs (e.g., Asian Development Bank 2000;

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[10] See Brau and Woller (2004), Hartarska and Holtmann (2006) or Mersland (2005) for an overview of early scientific literature on microfinance.

[11] Popular microfinance knowledge platforms include MicroCapital (www.microcapital.org), Microfinance Focus (www.microfinancefocus.com) and the Microfinance Gateway (www.microfinancegateway.org) managed by World Bank's Consultative Group to Assist the Poor (CGAP).

[12] In microfinance, social performance is defined as the effective translation of a microfinance organization's mission into practice in line with commonly accepted social values (Social Performance Task Force 2013).

Littlefield, Hashemi & Morduch 2003; UNCDF 2006), surprisingly little scientifically rigorous evidence on its impact exists. Many success stories of how access to financial services has made a difference in poor people's lives are merely based on anecdotal evidence (Armendáriz & Morduch 2010; Hartarska & Holtman 2006). However, this deficiency is not necessarily attributable to a lack of serious effort, but much more to the considerable methodological difficulties in empirically evaluating the impact of microfinance practices within the distinct context of developing regions (Krauss 2011).

In the late 1990s, the first influential studies based on quasi-experimental designs (Coleman 1999), as well as statistical procedures to allow estimations (e.g., Khandker 2005; Pitt & Khandker 1998), generally documented a positive impact of microfinance programs.[13] Yet, these early evaluations raised widespread doubts about their validity and, in the case of Khandker and colleagues' work, different authors came to varying conclusions on the same data (see Roodman & Morduch 2009). Over the course of the following years, longitudinal studies and experiments were conducted to evaluate the outcomes of microfinance. This new wave of impact studies brought with it additional methodological issues including ethical challenges, hence the controversy about their validity continued (see Armendáriz & Morduch 2010). More recent efforts, using refined evaluation tools based on randomized controlled trials to measure the impact of microfinance, show mixed results (e.g., Banerjee et al. 2009; Crépon et al. 2011; Karlan & Zinman 2009; 2010; 2011). While little, if any, evidence of improvements in poor households' income or consumption can be found in the short term, these and further recent studies indicate that microfinance yields additional significant benefits for the poor such as income smoothing and reliability. In fact, recent non-randomized impact studies suggest that reliable financial instruments, including savings and insurances, are critical survival tools for the poor (see Bauchet et al. 2011; Rosenberg 2010).

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[13] See Goldberg (2005) or Morduch and Helay (2002) for an extensive review of early microfinance impact studies.

In brief, recent empirical evidence suggests that, although access to finance has important social and economic benefits for a certain segment of people at the bottom of the pyramid, it does not produce the kind of dramatic transformation conjured in the popular imagination (Bauchet et al. 2011). Consequently, some in the sector have become more reserved regarding the impact of microfinance;

> The jury is still out on whether microfinance is working. As with most complex phenomena with many stakeholders, the answer depends on whom one asks, what data are invoked, and (most important) how performance is defined and measured (Khavul 2010, p. 63).

While continuous support of a broad range of stakeholders depends on demonstrated results in the form of improved socio-economic outcomes (Hartarska & Holtman 2006), the vague evidence clearly places a burden on microfinance. It leaves stakeholders behind with "…few hard numbers to inform debates about alternative development strategies and to guide social investments" (Armendáriz & Morduch 2010, p. 267). After all, the conditional promise of the impact of microfinance causes a state of uncertainty that is thought to have a distinct influence on current stakeholder perceptions. Another potential consequence of the resulting vagueness may be the persisting gap between supply and demand in microfinance.

2.1.3. Supply and demand in microfinance

Despite the powerful momentum created around microfinance lately, the potential demand for financial services of the underserved poor still largely outweighs the actual supply. Most people in developing countries living on less than USD 2 continue to have insufficient access to affordable and appropriate financial services (Callaghan et al. 2007; UNCDF 2006). Although many MFIs have continuously improved their social performance and extended their outreach, recent estimates suggest that still only a mere fraction of all the people excluded from formal financial markets are actually being served (Armendáriz & Labie 2011). !

Some authors estimate that the number of unbanked poor worldwide is around two and a half billion (Chaia et al. 2010; Kendall, Mylenko & Ponce 2010). Such numbers have to be treated with caution though, since not all of the world's poor simply correspond to potential microfinance clients. Robinson (2001) recalls in this regard that microfinance should seek to meet the demand for financial services of the relatively poor that are economically active, rather than the extremely poor who have various prior needs. More precise estimates with due regard of this restriction assume that, of the roughly half a billion potential clients (Responsability 2013), about one third is currently reached by microfinance service providers (Conning & Morduch 2011; Daley-Harris 2009).

This market imbalance in microfinance implies an enormous financial resource need that is far from being met. Provided that current market supply, measured by the worldwide outstanding loan portfolios of MFIs, is estimated at around USD 50 billion, additional funding in the range of USD 200 billion is needed to offset this mismatch (Dieckmann 2007; Responsability 2013). While bridging the persistent resource gap marks one of the major challenges in the sector, donor and philanthropic money is generally viewed as inadequate for meeting this high level of demand. A more commercially-oriented funding approach therefore often seems to be the only viable route for providing financial services to the poor on a large scale (Bystrom 2007; Charitonenko, Campion & Fernando 2004; Christen & Drake 2002; MacDonald 2011; Schrevel 2005). Therefore, cross-border investments and the stakeholders behind these efforts play an increasingly important role for microfinance.

2.2. Context: microfinance investments

The fundamental transformation of the sector has been accompanied by the emergence of financial investments into microfinance since the late 1990s. Investors and investment intermediaries, mostly from western industrialized countries, have entered the field with a simple value proposition; "the financing of micro-economic activity in emerging markets" (Symbiotics 2012b, p. 11). With their arrival, new opportunities to expand scale by leveraging assets have opened up for MFIs. Nowadays, they can tap different sources of revenue and financing to fund their operations. While particularly lower-tier institutions and NGOs, but also a few large ones like the Grameen Bank in Bangladesh (see MIX Market 2013b), rely or have relied at certain stages exclusively on subsidies and income from interests and fees, some leading MFIs have reduced their reliance on this source of funding and foster financial self-sufficiency by accessing commercial funds through international capital markets. As a result of such ambitions, microfinance investments are an increasingly important financing instrument for MFIs (Becker, 2010; Goodman 2007). However, a prerequisite for obtaining access to capital markets is that MFIs are financially viable and first pursue sustainable operations with the tools at their disposal (Armendáriz & Morduch 2010). As a consequence, only about two to three percent of the roughly 10’000 MFIs worldwide are considered ‘investable’, which makes the market for microfinance investment highly concentrated (Burns 2010).

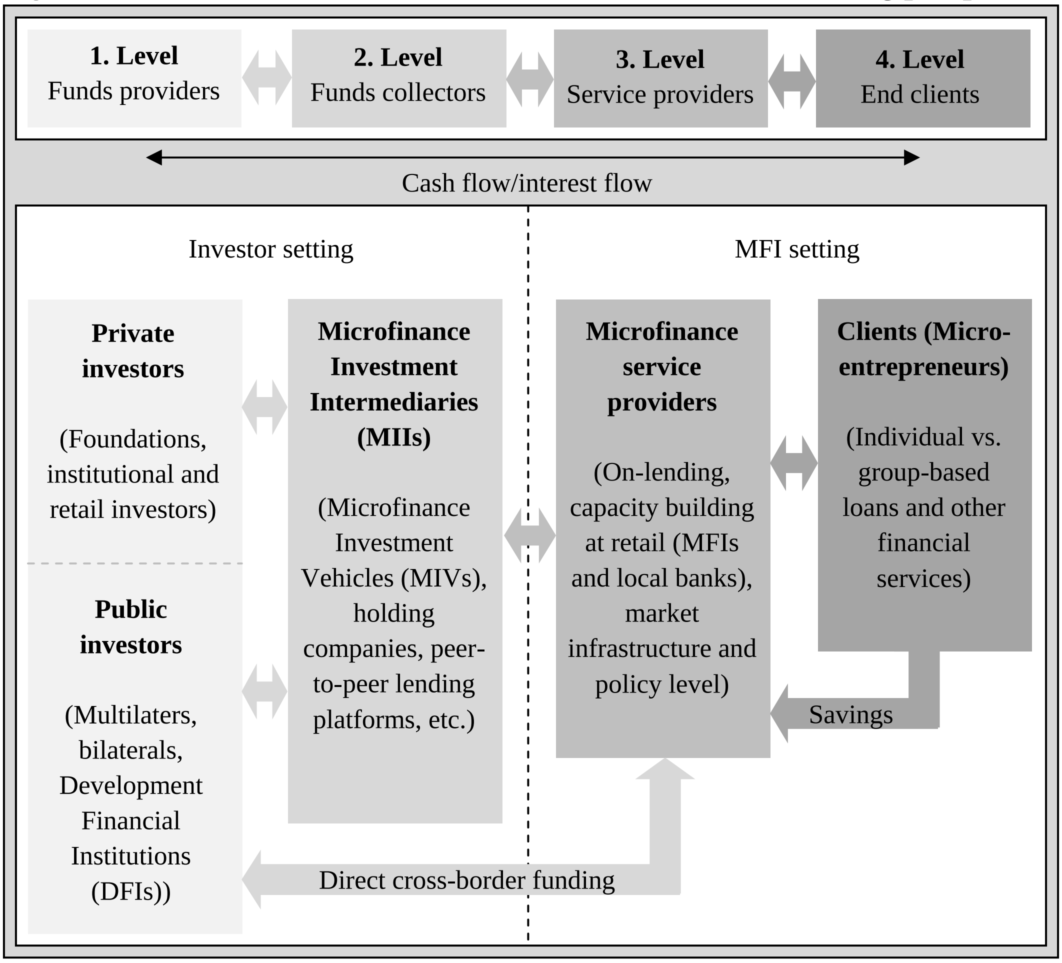
The present subchapter introduces microfinance investments as the specific context for this investigation. After a brief outline of the value chain from an investment perspective, MIVs as the principal actors are introduced and are subsequently reflect on in the light of the microfinance investment market as a whole. Finally, the stakeholders behind support services are taken into consideration and concluding remarks are made.

2.2.1. The sector from an investment perspective

With the emergence of microfinance investments and the corresponding structural changes, the value chain has been extended from mere service providers and clients to include a broad range of investors and financial intermediaries. From a cross-border funding perspective, the contemporary microfinance value chain can thus be illustrated horizontally along four distinct levels of actors, as shown in Figure 2-3.

In the local setting, MFIs grant micro-entrepreneurs small loans with fixed interest rates at an individual- or group-based level in order to finance, strictly speaking, small businesses (4. level, end clients). While savings of end clients serve as an important source for MFIs, which are allowed to accept deposits, to self-finance their loan portfolios (3. level, service providers), cross-border investments that are channeled through microfinance investment intermediaries has become an increasingly popular funding source.[14] Various forms of investment intermediaries as part of the emerging investor landscape in microfinance thereby fulfill an important bridging function between local microfinance activities and international investors (2. level, funds collectors).

Figure 2-3: **Microfinance value chain from a cross-border funding perspective**



(Source: adapted from El-Zoghbi, Gähwiler & Lauer 2011, Lutzel 2010 and Nicolodi 2009)

Today, about half of all foreign investments in microfinance are channeled through such intermediaries (Reille, Forster & Rozas 2011). Besides holding

[14] Besides cross-border investments, local sources of funding are gaining importance as well. Apexes, local wholesale facilities funded with public money (often including government funding) that can take various institutional forms (e.g., Forster, Duflos & Rosenberg 2012), are acknowledged as important intermediaries in microfinance, but are not part of this study.

companies and peer-to-peer lending platforms, the most common intermediaries are investment vehicles that have been set up with the goal of mobilizing funding for MFIs from development agencies, foundations, individual and institutional investors (1. level, funds providers). These vehicles are mainly promoted directly by the managing organization and sometimes also distributed over commercial banks. A wide range of supportive services, such as information providers and rating agencies, discussed in an upcoming section, vertically complement the financial value chain of microfinance (Becker 2010).

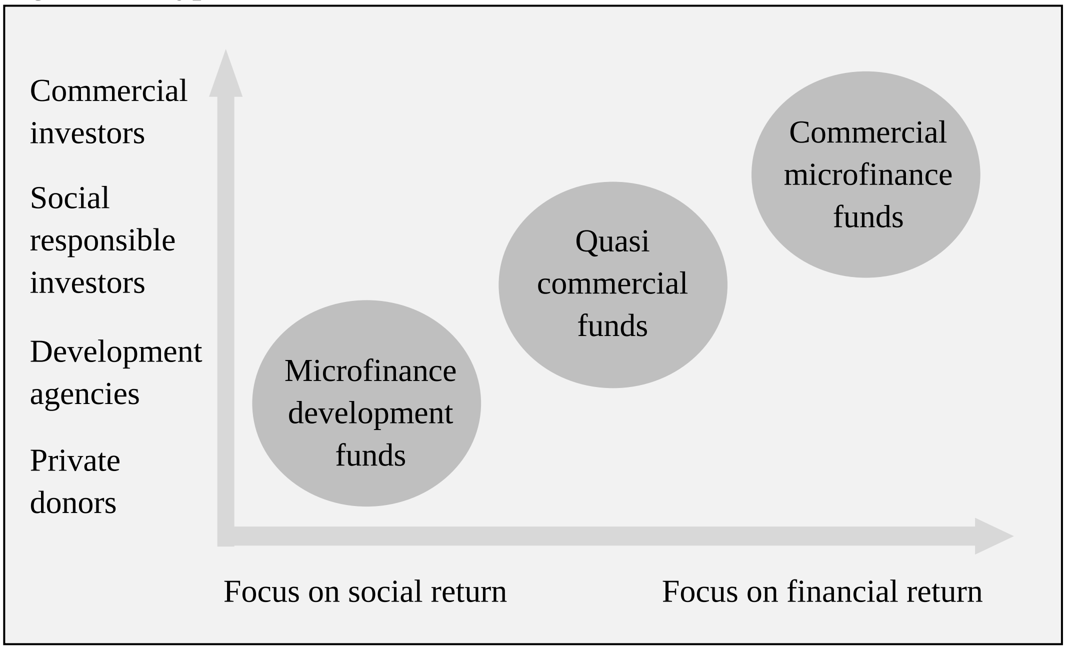
2.2.2. Microfinance investment vehicles

Investors who wish to make an impact beyond financial returns have the opportunity to participate in microfinance by means of investment funds (see Kloppenburg 2007; Matthäus-Meier & Pischke 2007). Microfinance investment funds are, by definition, "…vehicles which have been specifically set up to invest in microfinance assets (in some cases with trade finance investments) in which social or commercial, private or institutional investors can invest" (Goodman 2007, p. 19). In practice, these vehicles cover a diversified range of specialized investment products with different philosophies, objectives and types of investors. Dieckmann (2007) accordingly argues that the term 'investment fund' is misleading in a legal sense and considers the term 'microfinance investment vehicle' to be more appropriate to describe current funding structures.

Microfinance investment vehicles (MIVs) can be defined as "…independent investment entities with more than 50 percent of their non-cash assets invested in MFIs and which are open to more than one investor" (Symbiotics 2012a, p. 4). By means of debt obligations or equity stakes they normally refinance multiple MFIs (CGAP 2010a). The professional third-party organizations which manage one or a multiple number of these investment vehicles, commonly referred to as microfinance asset managers or MIV managers, have typically been established by a few individuals with a development and finance background or were set up by traditional investment management firms (Goodman 2007; Smith, Broderick & Winsor 2007). With their investment decisions and the ensuing allocation of funds, microfinance asset managers play a decidedly critical role in the funding chain and constitute the main channel for commercial private and institutional investments (Hechler-Fayd'herbe & Lüscher 2008). By doing so, they also need to strike a delicate balance between traditional financial competencies required to establish themselves in formal financial markets and the overall social and development objectives historically ingrained in microfinance (Goodman 2007).

Similarly to the development of MFIs, the first financial structures put in place to lend to MFIs were established by private donors and development agencies with pure social objectives in mind. After realizing, however, that a financial return on microfinance investments was possible, a whole range of investment funds was created, starting with the first dual-objective investment fund - the Dexia Micro-Credit Fund - in 1998 (Goodman 2007). As a consequence, several classifications of MIVs exist today in the literature. Most commonly, the categorization is guided by the type of financing and hence distinguishes between fixed income, mixed and equity funds (Symbiotics 2012a). However, in the context of this qualitative investigation a classification that is based on MIVs' priorities in balancing financial and social objectives seems more suitable, insofar as the related criteria determine to a large extent what types of investors are attracted, to which MFIs capital is granted and under what terms. Accordingly, three types of MIVs can be distinguished, as shown in Figure 2-4.

Figure 2-4: **Types of microfinance investment vehicles**



(Source: Dieckmann 2007, p. 12)

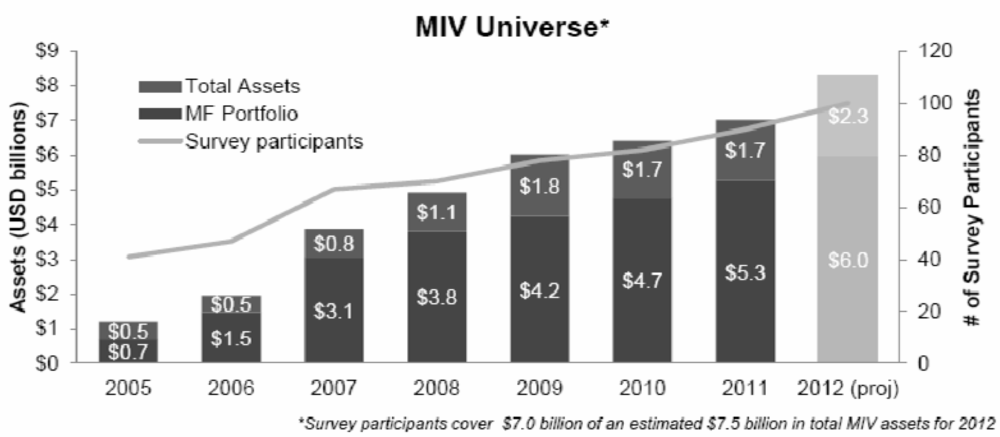
First, *microfinance development funds* commonly act as cooperatives or non-profit entities and primarily target the development of MFIs. For this purpose, they make capital available under favorable conditions without necessarily seeking a financial return. Investors in these funds, including development agencies, corporations and private donors, chiefly seek a social return while at the same time maintaining the value of their originally invested capital. Second, *quasi-commercial microfinance investment funds* have clearly stated financial objectives. Their investor base, made up of private donors, development agencies and socially responsible investors, accepts returns below market average as long as social impact is being ensured. Third, *commercial microfinance investment funds* clearly target private and institutional investors. The particular investor segment demands clearer objectives as they normally want to understand precisely what the investment targets are and what financial return can be expected. Hence, the quality and scope of information provided by these funds is more sophisticated and allows comparison and assessment; a feature still largely restricted to commercial funds (Dieckmann 2007; Goodman 2007).

The three introduced types of MIVs are complementary due to the nature of their investor landscape and their different approaches. Ideally, microfinance development funds prepare institutions that are approaching financial sustainability for access to capital markets. When MFIs become self-sufficient, quasi-commercial or commercial investment funds normally take over by providing larger amounts of money on market terms (Dieckmann 2007; Goodman 2007). While acknowledging the importance of all types of investment funds, this study focuses on the commercial end of the spectrum. The main reason for this is that commercial funds make up for the majority of capital invested in microfinance and corresponding commercial asset managers are more tangible as stakeholders than others.

2.2.3. The market for microfinance investments

The microfinance investment market has shown strong and sustained growth over the last few years in both the number of MIVs and the volume of microfinance portfolios as illustrated in Figure 2-5. At the present time, roughly 100 MIVs manage total global assets of an estimated USD 8 billion, while the top ten account for almost two-thirds thereof (MicroRate 2012; Symbiotics 2012a). As an emerging asset class, microfinance has continuously attracted foreign commercial capital, making 2008 the first year in which the majority of invested money came from private investors, including pension schemes and private-equity funds, rather than governments and development agencies (Evans 2010).

Figure 2-5: **Growth of total assets and microfinance portfolios of MIVs**



(Source: MicroRate 2012, p. 4)

Nevertheless, the recent global financial crisis has had an impact on microfinance asset managers that does not find direct expression in the growth rates. On the outset of the crisis, misgivings came up in the public media with respect to the relatively high returns microfinance funds have yielded thus far and the downturn of the global economy (Copeland 2009). In 2009, some microfinance markets were hit by the aftermath of the crisis and felt the impact of the increased challenging economic conditions (see Wagner & Winkler 2012). Consequently, the demand for foreign funding of concerned MFIs dropped significantly and so did the returns to MIVs. While most loan portfolios of MFIs showed nearly zero growth during that year, the inflow of capital from investors with MIVs nonetheless continued and the assets of the top ten vehicles still grew by 23 percent (MicroRate 2010; Reille & Glisovic-Mezieres 2009). Some funds held up to 30 percent cash in their portfolio as a consequence (Fuchs 2010), putting pressure on financial returns (MicroRate 2011). On the investor side, the fact that MIVs had raised more money than they were able to place with MFIs sparked worries of a ‘microfinance bubble’ (Gokhale 2009; Oxford Analytica 2009). In the microfinance setting, some in the community even feared a rerun of the subprime crises at the bottom of the pyramid in the wake of this trend (Waterfield & Reed 2009).

The main reason for the raising liquidity levels of MIVs during the crisis has been the remarkable resilience the microfinance industry has shown to economic shocks in the past (Gonzalez 2007; Littlefield 2008). As microfinance investments are reasonably uncorrelated to other asset classes, they have also produced positive returns in volatile times. In fact, MIVs still managed on average to produce positive returns during the height of the crisis in 2008, when emerging-market bond funds fell in value by 12 percent. As a consequence, microfinance funds have attracted even greater amounts of capital during and after the downturn of global financial markets (Reille & Gilsovic-Mezieres 2009), especially from international investors as a means of portfolio diversification (Krauss & Walter 2008). As a result, microfinance asset managers have been facing the challenge of increased credit risk and a lack of suitable investment opportunities (Gilsovic-Mezieres, Reille & Berthouzoz 2010). Competition among microfinance asset managers has consequently intensified and consolidation of the market has been expected (Burns 2010). Therefore, foreign investments in microfinance have been going through critical times in equal measure to the industry as a whole (Reille, Forster & Rozas 2011).

As of today, the market for microfinance investments is, however, thought to have weathered the unprecedented financial crisis fairly well (see MicroRate 2012; Symbiotics 2012a). While many processes worked out or were adapted quickly, a few general issues in the microfinance setting, such as the credit quality and lending practices of MFIs, have highlighted the need for appropriate regulation, industry standards and coordination (Becker 2010). But also a few issues in the investor setting, beyond the temporary excess liquidity of MIVs, have emphasized this need. Above all, it has become less clear in the course of commercialization how public donors can best support the progress of the industry without discouraging natural market mechanisms. Direct state funding of lending activities mainly through international development banks potentially keeps MFIs from pursuing more commercial sources of capital; an issue of concern commonly referred to as 'crowding out' in practice (see Abrams & Stauffenberg 2007; Stauffenberg & Rozas 2011). While the help of public funds and development aid in microfinance is still needed, their preferable role has accordingly shifted to the support of market mechanisms such as the development of an enabling infrastructure, technical assistance and, primarily, capacity building of MFIs.

2.2.4. Supporting services and industry initiatives

Microfinance investors and intermediaries as immediate levels of the value chain are usually embedded in a broader stakeholder environment that makes up for an enabling market framework. Given the network-based, stakeholder-oriented perspective adopted in this study, it is important to equally account for stakeholders that provide support services for microfinance investments and are thus not direct parts of the financial value chain. Therefore, the most important actors in this context are introduced briefly in the following.

In general, a broad spectrum of supporting services provided by governmental and private corporate stakeholders not only complement local microfinance networks (see Cook & Isern 2004), but also the market for microfinance investments. For example, accountants and lawyers offer specific microfinance services that are concerned with the launch of a fund, the valuation or the proof of contracts. Specialized brokers, in addition to major asset managers, provide brokerage platforms that are needed for investing in microfinance. Data and information platforms play a specific role, not only in the investor landscape but in the microfinance industry as a whole (Becker 2010). CGAP, for instance, is an independent policy and research center that provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, financial services providers, donors and investors (CGAP 2013a). In doing so, CGAP analysts and researchers make focused information and expert views available to the broader public on a regular basis. Microfinance Information Exchange (The MIX Market), as another example, is the leading provider of data services, analysis, research, and business information on MFIs and thereby contributes essentially to a professional microfinance sector (MIX Market 2013c). Much of the research that has been done so far, particularly on microfinance investment, is based on data and information provided by The MIX Market or CGAP. Last but not least, a range of rating agencies has become involved in the microfinance industry in accordance with other financial market segments. Besides standard rating agencies such as Fitch, Standard & Poor’s or Moody’s, several microfinance specialists like MicroRate, PlaNet Rating, Microfinanza, Crisil and M-Cril[15] offer ratings for MFIs and structured vehicles against relatively low or no fees, while more detailed services to asset managers and investors are available against charge (Becker 2010).

Furthermore, a number of standards and initiatives have been launched in the last few years that have distinct normative implications for microfinance and received attention when it comes to the environment in which these stakeholders operate. The initiatives can thereby be seen as part of the broader movements towards

[15] Their risk assessment reports can be found under www.ratingfund2.org.

financial inclusion and responsible finance. On the one hand, the agenda of global ‘financial inclusion’ or ‘inclusive finance’, which has steadily gained in importance over the last years incorporates and promotes microfinance as one of several effective tools (see Cull, Demirgüc-Kunt & Morduch 2013). On an industry-wide level, the Universal Standards for Social Performance Management of the Social Performance Task Force (SPTF) and the Client Protection Principles of the Smart Campaign have been introduced to increase positive outcomes and hinder harmful consequences for microfinance clients in this context. From a normative point of view, an inclusive financial system is by definition at all levels dedicated to widespread access to financial services for every segment or group of clients (CGAP 2006). Accordingly, improving poor people’s lives by extending access to appropriate and affordable financial services has become a widely shared aspiration among microfinance stakeholders and the broader development community (CGAP 2013b).

On the other hand, one of the key elements of financial inclusion is that the corresponding services are provided in a responsible and sustainable manner that is transparent, fair and safe (CGAP 2013b). As seen from the perspective of service providers, this premise is reflected by the vision of ‘responsible finance’:

> In a financial world characterized by responsible finance, clients’ benefits would be balanced carefully with providers’ long-term viability, and client protection is built into the design and business at every level. Products are thoughtfully designed, offer reasonable value-for-money, and minimize potential harms... Delivery practices are respectful, and do not rely on aggressive sales, coercive collections, or other inappropriate behavior. Clients receive clear, comprehensible information so they can make informed and careful choices about financial products and providers. When problems or misunderstandings arise, customers have accessible and effective mechanisms for resolving them (McKee, Lahaye & Koning 2011, p. 2).

However, the premise of responsible finance is not only of relevance for MFIs due to their direct contact with end clients, but is equally important for all stakeholders of the value chain, including asset managers and investors (McKee, Lahaye & Koning 2011). The UN has recognized the growing need to set responsible practices as a standard in this area and introduced at the beginning of 2011 the Principles for Investors in Inclusive Finance (PIIF) as a sub-initiative of the Principles for Responsible Investment (PRI). The subset of principles specifically guides the responsibilities of affiliated asset managers and investors towards key issues like the range of services, client protection, transparency and balanced returns in funding inclusive finance activities (UNPRI PIIF 2011). Another similar initiative is the Rating Initiative that is dedicated to promote transparency as well. Many of the investigated stakeholders in this study are supporters or even founding members of these standards and initiatives, which explains their relevance.

2.2.5. Concluding remarks

By opening up to and taking advantage of international capital markets, some of the leading MFIs have given the necessary impetus for a new set of specialized stakeholders to enter the field of microfinance. A variety of different investors and financial intermediaries, mainly from western industrialized countries, have become involved in funding the provision of financial services to the unbanked poor. Standing symbolically for the sector's increased commercialization in the form of an extension of its financial value chain, the emerging investor setting represents a major driving force with growing influence on the way in which local markets develop. However, the recent global financial crisis has also had negative effects on microfinance investments, which may not have been markedly reflected in growth rates, but nonetheless have had implications for related stakeholders, especially microfinance investment vehicles. Therefore, the state of the microfinance investment market has also recently been viewed with a critical eye. Finally, a range of further stakeholders have accompanied the emergence of the microfinance investor landscape and investment intermediaries, and specialized in providing valuable support services.

At this point, microfinance has been introduced and the contextual background of this study has been narrowed by reviewing pertinent literature to related investments. In the following subchapter, the specific microfinance investor setting, which forms the case under investigation, is presented by means of a comprehensive description of involved stakeholders. Microfinance mission drift as the thematic issue of interest in this study is then subsequently elaborated.

2.3. Case: Swiss microfinance investment stakeholder network

While the last section has established the context of microfinance investments by reviewing pertinent literature, the main objective of this subchapter is to provide an extensive practice-oriented overview of the Swiss microfinance investment stakeholder network as the empirical case in this study. First, the significance and role of the country-specific investor setting within the broader microfinance investment industry is clarified. Then, the full spectrum of studied stakeholders is introduced according to the respective individuals and institutions' main group affiliation. As mentioned before, a preliminary distinction has been made between three different stakeholder groups that now build the level of analysis: microfinance asset managers, microfinance investors and their wealth advisers and microfinance experts. Together, these groups constitute the country-based stakeholder network in its entirety and every respondent has accordingly been assigned to one or more. The classification as well as group affiliations of individual respondents have been re-evaluated at several stages over the course of the empirical research. Moreover, the case description mainly relies on publicly available secondary data analyzed as part of this study. Dominicé and colleagues' (2011) work represents an extensive and unique source of information in this context and thus deserves acknowledgment here.[16] Where necessary, however, additional information sources have supplemented the overview; official corporate websites and institutional profiles from The MIX Market have been consulted to describe the specific stakeholder network as thoroughly as possible.[17]

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16 Dominicé et al. (2011) has served as a general source of information for this case description, which is why it is not explicitly referred to in this subchapter after each passage.

17 Additional data sources that are not part of the formal case study database listed in Appendix A.4 are referenced in the following, except for information from official websites of the introduced institutions. Further analytical insights for this case description arise from code frequencies listed in Appendix B.2.

Although this is a country-specific case study, an unambiguous disentanglement of Swiss-based stakeholders, their activities and interactions has proven to be impracticable. Cross-border funding of microfinance is by definition highly international, whereby the same applies, of course, for interrelations among involved stakeholders. As a consequence, some aspects mentioned in this case description may not exactly match with nation borders or, for that very reason, may be considered insignificant in the context of this study. However, some international microfinance stakeholders are indispensable for this analysis and are thus acknowledged as they become relevant.

2.3.1. Background to the case

Switzerland's leading position in microfinance investments today is generally attributable to its significance as an international financial and humanitarian centre. On the one hand, the Swiss financial market is globally of great importance and features a comparatively high concentration of banking relationships (see Neuberger, Pedergnana & Räthke-Döppner 2008). One of the reasons for this is the large number of financial institutions hosted by the country. Taking microfinance up as an innovative investment opportunity, Swiss private banks accordingly played a crucial role in an early phase. On the other hand, the emergence of microfinance in Switzerland has benefited strongly from the early support of federal agencies, introduced in an upcoming section, and Swiss-based international governmental organizations (IGOs). Particularly, the United Nations Office in Geneva (UNOG) with key agencies like the International Labor Organization (ILO) or the United Nations Conference on Trade and Development (UNCTAD) has acted as a facilitator and promoter of private sector involvement in microfinance from early on and still does so today. More recently, the United Nations Environment Programme (UNEP) Finance Initiative has also been involved in establishing the UNPRIs with a significant impact on the microfinance investment industry.

Today, the Swiss microfinance investment stakeholder network consists of numerous and diverse actors that are either involved in or can directly be related to microfinance investment activities. In form and shape, these stakeholders range from charismatic individuals dedicated to microfinance on a personal basis, over specialized commercial small and medium-sized firms with microfinance as their core business, to global financial institutions that embrace microfinance as an innovative investment theme to meet customer needs.

2.3.2. Swiss microfinance asset managers

Despite the country's leading position, the management and advisory of Swiss microfinance funds is still confined to a relatively small number of specialized actors. As of December 2010, five asset managers, two NGOs and three holding companies, as depicted in Table 2-1, were managing or advising Swiss microfinance funds.

In equal measure to the general emergence of microfinance, NGO initiatives historically precede private sector involvement in funding corresponding activities. As the first of its kind, ECLOF was set up in 1946 in Geneva for the purpose of post-World War II reconstruction in Europe. Besides the pursuit of its historic mission, the church donor fund later also began to offer microloans with no hope of a return. ECLOF thereby developed early expertise in microfinance services and is still active in this domain today. As a second initiative, FIG, a non-profit guarantee fund also based in Geneva, was founded half a century later in 1996 to help MFIs and agriculture cooperatives in developing countries to obtain access to local credit markets.

Table 2-1: **Swiss microfinance asset managers**

Type	Swiss microfinance asset manager	Year of foundation	Microfinance AuM (USD million)[18]
Asset Managers	BlueOrchard Finance SA (“BlueOrchard”)	2001	918
	responsAbility Social Investments AG (“responsAbility”)	2003	772
	Symbiotics SA Information, Consulting & Services (“Symbiotics”)	2004	537
	Development Finance Equity Partners (“Dfe Partners”)	2005	147
	Obviam	2010	
NGOs	Ecumenical Church Loan Fund (ECLOF)	1946	
	International Guarantee Fund (FIG)	1996	
Holding Companies	Aga Khan Agency for Microfinance (AKAM)	2005	
	swiss microfinance holding sa (SMH)	2007	
	The Global Microfinance Group SA (GMG)	2002	

(Source: adapted from Dominicé et al. 2011)

Commercial microfinance funding in Switzerland, however, only emerged a good decade ago. In an effort to initiate investments from the private sector, UNCTAD created BlueOrchard in 2001 as the first specialized commercial microfinance fund manager. Within a few years, BlueOrchard successfully grew and generated attractive positive returns for a pioneer fund and hence served as an example for imitation. In 2003, a group of Swiss financial institutions, with Credit Suisse at the forefront and Raiffeisen Bank, Vontobel Schweiz, Baumann & Cie and Alternative Bank Schweiz among others, joined forces to set up responsAbility. With the thematic and financial support of the Swiss government and foundations like Ethos[19], responsAbility launched the first global microfinance fund open to retail investors in the very same year. It further served as an anchor client to

[18] Numbers as of December 2010.

[19] Ethos, the Swiss Foundation for Sustainable Development founded in 1997 by two Swiss pension-funds, comprises a group of like-minded institutional investors, which served as a seed investor in the formation of responsAbility among others.

Symbiotics, an advisory company that assists financial institutions in managing microfinance funds through research, due diligence, origination or monitoring assistance. Founded in 2004 and building on this initial relationship, Symbiotics grew to become the largest microfinance investment advisor and also created an own asset management company in 2008. Today, BlueOrchard, responsAbility and Symbiotics not only dominate the Swiss market for managing and advising microfinance investments, but also represent leading global players in that domain. As of December 2010, they managed or advised 22 out of 29 Swiss microfinance funds overall and accounted, with roughly 2 billion USD, for about 90 percent of total microfinance AuM in Switzerland and hence about one quarter of worldwide microfinance AuM (Dominicé et al., 2010).

Apart from these dominant actors, two other microfinance asset managers emerged within the last few years. On one side, Dfe Partners, a private company specialized in financial services for emerging markets based in Zug was created in 2005, and on the other, Obviam was established in 2010 in Bern as an independent investment arm of the Swiss Investment Fund for Emerging Markets (SIFEM), which manages the investment portfolio of the State Secretariat for Economic Affairs (SECO). In addition, three holdings complete the picture of Swiss microfinance asset managers. First, SMH, created in 2007 by technical assistance provider Financial Systems Development Services AG (FIDES), aims at providing capital and ensuring sound governance for MFIs by means of equity investments. Second, the development foundation Aga Khan Development Network in Geneva brought with the creation of AKAM in 2004 previously individually run microfinance programmes together. Last, GMG, a Swiss holding company formed in 2004 in Lausanne, focuses on acquiring or buying into new or existing MFIs in Latin America, Eastern Europe and Asia.

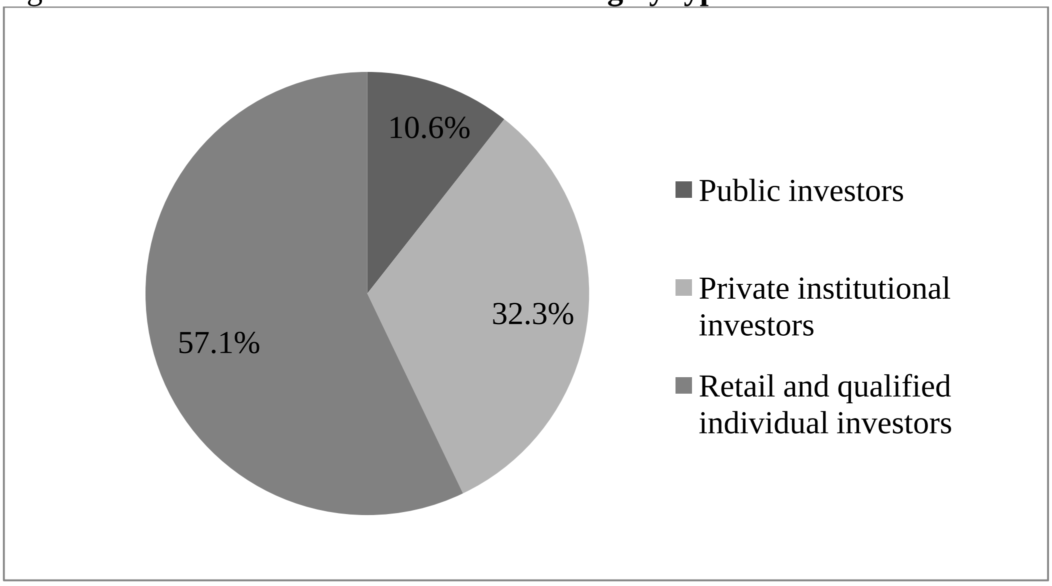
Finally, a few other Swiss financial institutions are managing or advising microfinance assets; Venture South International (VSI) and Corporation Financière Européenne S.A. (CFE) in Geneva, MainStreet Partners S.A. in Lugano and, most recently, Bamboo Finance Sàrl in Geneva. Besides that, one or two MIVs from foreign asset managers are theoretically available in Switzerland.

However, since admission to actively distribute them is missing, investors usually do not find out about them (Neue Zürcher Zeitung 2011).

2.3.3. Investors and their Swiss wealth advisers

In general, the Swiss microfinance investor landscape in Switzerland can, like any other, be divided into two main types of investors - private and public. The former include retail investors, qualified individual investors and private institutional investors like family offices, foundations or firms, whereas the latter include public institutions on a national or international level such as governmental organizations, pension funds or multilateral banks. However, the local investor setting is unique to a certain extent and differs from those in other countries inasmuch as private investors today surpass public lenders in terms of volume invested in microfinance. By the end of 2010, only 10.6 percent of the money invested in Swiss microfinance funds came from public investors, as indicated in Figure 2-6. Whereas private institutional investors accounted for 57.1 percent, retail customers and qualified individual investors contributed 32.3 percent of funds - a remarkably large volume for the fact that, due to regulatory constraints, only one microfinance fund is, at the time of writing, available to retail investors in Switzerland and, in fact, world-wide.

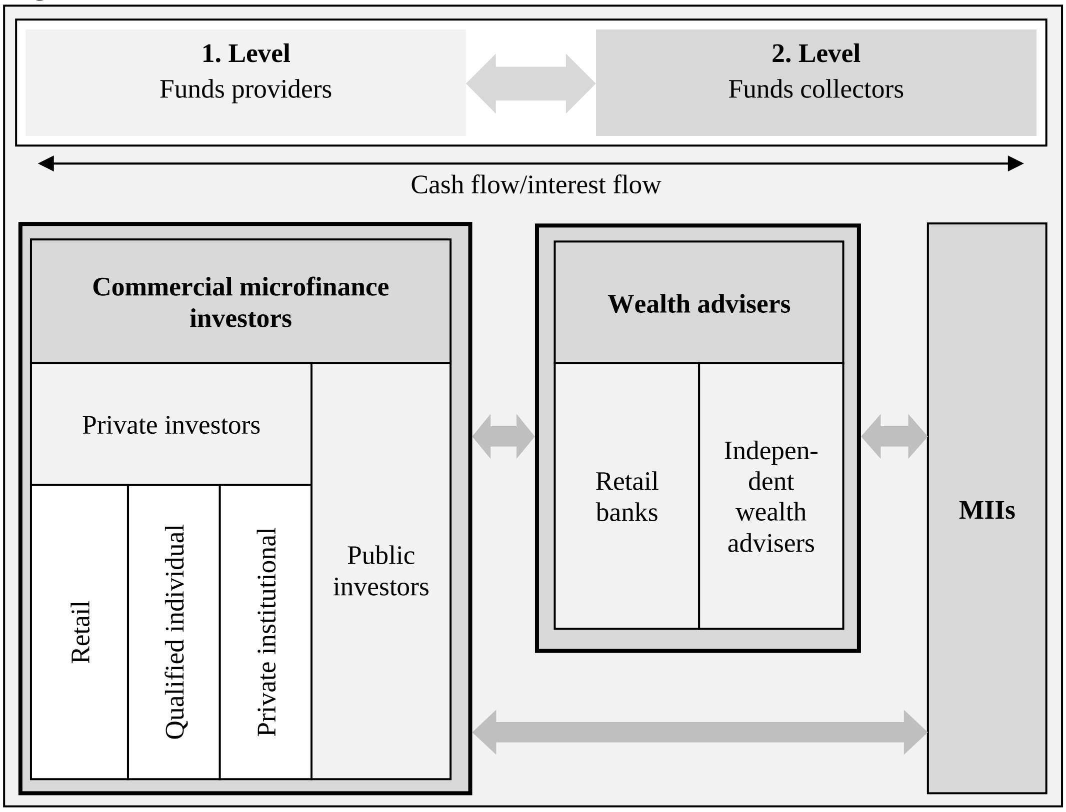
Figure 2-6: **Swiss microfinance funds' funding by type of investor**



(Source: Dominicé et al. 2011, p. 18)

This peculiarity of the Swiss microfinance investor landscape is mainly attributable to asset managers’ successful establishment of efficient distribution channels to reach a large pool of qualified private and institutional investors. By offering microfinance investment funds to retail investors, Swiss-based retail banks have been instrumental in the growth in commercial investment volumes. Wealth advisers are indeed key stakeholders in the intermediation between retail investors and asset managers, as illustrated in Figure 2-7. Through their influence over investment decisions, wealth advisers are not only important distributers of the microfinance idea, but are also in a position to gauge the perception of retail investors (Hemrika & Cichon 2011).

Figure 2-7: **Microfinance investors and their Swiss wealth advisers**



(Source: own figure)

Ever since co-founding responsAbility in 2003, Credit Suisse has been a driving force in the promotion of microfinance in Switzerland. The integrated global bank with headquarters in Zurich has taken a holistic approach and by embracing the asset class, became one of the pioneers in selling microfinance on a wide scale. Credit Suisse not only liaises between its clients as potential microfinance investors and investment vehicles and acts as a fund administrator as well as custodian bank for the latter, but also directly provides a group of MFIs with advisory services and access to capital in local currency. Furthermore, the Swiss bank launched a philanthropically-funded initiative in 2008 - the Microfinance Capacity Building Initiative - to support the development of human and institutional capacity in the sector and co-founded a year later the Microfinance Communications Council, which aims at identifying and addressing the foremost communications issues of the industry (Hemrika & Cichon 2011).

Other Swiss retail banks actively distribute microfinance funds as well, for example, Raiffeisen Bank Switzerland, Geneva-based private bank Baumann & Cie and Bank Vontobel AG. Since all of them are founding members of responsAbility, they have advised their clients accordingly ever since the first fund's inception. Moreover, onValues Ltd., an independent investment consultancy in Zurich, typically advises private institutional investors on how to integrate ESG strategies into their investment management. Based on a long-standing partnership with responsAbility, onValues forges an important link between microfinance investments and the specific investment clientele. In general, wealth advisers and internal specialists of these banks as well as independent investment consultants often maintain an essential exchange of information with responsAbility as the corresponding fund manager based on their experiences with microfinance investors. Although the commitment of the aforementioned retail banks is usually limited to the product side, some of them rely on established network ties for related initiatives. Vontobel, for instance, has joined forces with the Swiss Agency for Development and Cooperation (SDC) and responsAbility in a public private development partnership (PPDP) to launch a fund for independent media in 2011.

Finally, a few banks have incorporated microfinance as part of their philanthropic division. At the forefront, family-run LGT Bank from the Principality of Liechtenstein has a strong local presence with LGT Venture Philanthropy based in Zurich in this context. Although the focus does not explicitly lie on microfinance, it nonetheless builds an integral part of the foundation's impact investment portfolio. Also UBS, to name another example, promotes microfinance as part of its philanthropy services. Finally, Zürcher Kantonalbank (ZKB), the largest cantonal bank in Switzerland and a close observer of the emergence of microfinance as a potential asset class, provides investment research as well as analysis services and releases fund recommendations for regional private and institutional investors with an interest in microfinance.

2.3.4. Swiss microfinance experts

Apart from asset managers, investors and wealth advisers, each of which represent a distinctive level of the funding chain in microfinance, many more individuals and institutions can be considered as stakeholders of microfinance investment activities in Switzerland. Some of these actors lay emphasis on a clear microfinance focus, while others pursue broader objectives like financial inclusion or financial sector development. The third stakeholder group in this case study - Swiss microfinance experts - accounts for this broader stakeholder network and subsumes additional local actors that are usually not directly involved in microfinance investments themselves, yet have a real interest in it. As a consequence, the present stakeholder group is large in number and highly diverse, as shown in Table 2-2.

Table 2-2: **Swiss microfinance experts**

Type	Name	City
Federal agencies	Swiss Agency for Development and Cooperation (SDC)	Bern
	State Secretariat for Economic Affairs (SECO)	Bern
	Financial Market Supervisory Authority (FINMA)	Bern
Academia	Center for Microfinance (CMF), University of Zurich (UZH)	Zurich
	Graduate Institute for International and Development Studies (IHEID)	Geneva
	Swiss Institute of Banking and Finance, University of St. Gallen (HSG)	St. Gallen
Consultancy and assistance	Financial Systems Development Services AG (FIDES)	Fribourg
	Center for Social and Sustainable Products AG (CSSP)	Vaduz, LI
	Business & Finance Consulting (BFC)	Zurich
	Microfinance Strategy SARL	Lausanne
Insurance business	SwissRe	Zurich
	Zurich Financial Services	Zurich
NGOs and foundations	Swisscontact	Zurich
	Berne Declaration (BD)	Bern
	Mikrokredit Solidarität Schweiz (MSS)	Ebikon
	1to4 Foundation	Ligniers
	Helvetas Swiss Intercorporation	Zurich
	Caritas	Lucerne
	Swiss Interchurch Aid (HEKS)	Zurich
Dedicated Individuals	n/a	n/a
Associations	Swiss Microfinance Platform (SMP)	Geneva
	World Microfinance Forum Geneva (WMFG)	Geneva
	Swiss Capacity Building Facility (SCBF)	Fribourg
	Savings & Credit Forum	Bern
	Sustainability Forum Zurich	Zurich
	Forum Nachhaltige Geldanlagen (FNG)	Berlin, D

(Source: own table based on case study data and official websites)

Federal agencies. Federal agencies of the Swiss Government either execute, commission or finance development activities that often directly relate to microfinance. First and foremost, the Swiss Agency for Development and Cooperation (SDC) has pursued for quite some time now a financial and private sector development strategy. In doing so, microfinance is seen as one of several tools that needs to be promoted. The SDC's main role is to represent related federal interests, provide consulting services and enable knowledge transfer and networking among institutions, partner countries, local and global networks and initiatives. Focusing primarily on topics like social performance reporting, social rating or capacity building, the SDC, for instance, established the Swiss Capacity Building Facility (SCBF) in April 2011 to assist financial intermediaries in increasing their impact and effectiveness in developing countries. As a local initiative, the SCBF emerged from a PPDP with various private sector players including Credit Suisse, FIDES, SMH, Swisscontanct, SwissRe and Zurich Financial Services (SCBF 2012). On the international stage, the SDC has further directly carried out projects to strengthen financial institutions' retail capacity and to support the development of the financial sector infrastructure as well as the regulatory and supervisory framework. In this context, the SDC collaborates closely with the SECO - the Swiss Government's centre of expertise for all core issues relating to economic policy. On behalf of the Swiss Government, these two federal offices fund international finance institutions (IFIs) and development finance institutions (DFIs), which are key drivers in this regard and together still account for the majority of funds invested in microfinance programs. Beyond that, the SDC and the SECO are co-funding World Bank institutions, namely the global knowledge management platform CGAP and financial inclusion projects of the International Finance Corporation (IFC). As within most countries, the Swiss Financial Market Supervisory Authority (FINMA) finally oversees the Swiss financial centre and thus represents another powerful and instrumental public actor for the local microfinance investment industry.

Academia. Several academic institutions of Swiss universities are more or less explicitly involved in research on microfinance. Most concretely, the Center for Microfinance (CMF) at the Department of Banking and Finance of the University of Zurich, set up in 2009, aspires to close the knowledge gap between microfinance professionals, academic research and the investor landscape. In doing so, the CMF is engaged in microfinance research, teaching and consultancy and builds on a strong network of private and public partners. In terms of teaching, the center offers, besides lectures and seminars for university students, courses for industry executives on SRI and microfinance in cooperation with the SDC among others. One of the CMF's valuable scientific contributions is a study, commissioned by several asset managers and published in 2011, that yielded the first early warning index for investors to assess the level of overindebtedness in a certain microfinance market (see Kappel, Krauss & Lontzek 2011). In addition, scholars from other Swiss academic institutions, notably the Graduate Institute for International and Development Studies in Geneva and the Swiss Institute of Banking and Finance at the University of St. Gallen, are also actively researching and occasionally giving lectures on microfinance as part of development and finance studies. In the same vein, the Institute for Strategic Management/Stakeholder View at the University of Applied Sciences in Business Administration Zurich has taken up local and foreign microfinance networks as insightful business cases to push the boundaries of stakeholder theory. Finally, researchers, doctoral candidates and students with an interest in microfinance that are affiliated to these and other academic institutions represent, in a broader sense and with a look to the future, another, not inconsiderable group of stakeholders in this context.

Consultancy and assistance. Quite a few Swiss firms have specialized in advising and assisting microfinance actors along the value chain in a variety of ways. Starting from the investor setting, the Center for Social and Sustainable Products AG (CSSP) based in the Principality of Liechtenstein, has a strong presence in Switzerland and offers investors, retail banks and asset managers strategic advice with a special focus on sustainable and socially responsible investments. The CSSP is additionally responsible for the investment control of the Enabling Microfinance Fund (EMF), educates professionals in partnership with the CMF at the University of Zurich among others and has recently launched an information-sharing platform on SRI. On the level of financial intermediaries, in contrast, technical assistance provider FIDES, located in Fribourg since 2007, focuses on the development and management of rural MFIs in Africa and Eastern Europe and related research and consulting services. In order to secure institutional sustainability, access to capital and sound governance of previously developed MFIs, FIDES founded a corresponding equity investment vehicle; SMH, which was introduced above. In the same vein, further Swiss consultancy companies mainly focus on advising financial intermediaries in developing and emerging economies, such as Business & Finance Consulting (BFC) in Zurich and Microfinance Strategy SARL in Lausanne.

Insurance business. Swiss insurance companies are not only leading pioneers in the field of microinsurances, but are also showing, like many other multinationals, an awakening business interest in private and financial sector development in developing and emerging economies in general. SwissRe, the leading global agricultural and natural disaster re-insurance company, has been expanding its business lines accordingly and has established partner networks with local MFIs, NGOs and governments in test markets. Moreover, Zurich Financial Services, a globally active insurance-based financial service provider, launched in 2007, a group-wide microinsurance initiative and is testing corresponding products mainly in Latin American countries. Both Swiss insurance companies are increasingly represented and involved in national and multilateral microfinance and development initiatives.

NGOs and foundations. Apart from private and public players, Swiss NGOs and foundations form a complementary part of the microfinance investment stakeholder network. As the Swiss private sector organization for development cooperation, Swisscontact was founded in 1959 by representatives of the Swiss economy and universities. The neutral foundation provides advisory services, training and education to promote private and social development in selected countries. Mikrokredit Solidarität Schweiz (MSS), a non-profit organization from Ebikon, helps Swiss micro entrepreneurs with a business idea, but has no formal access to bank loans, with credit to launch a small business and become economically independent. The Berne Declaration (BD), an independent Swiss NGO founded in 1968, works towards equitable North-South relations and was a founding member of responsAbility. BD keeps a critical eye on the developments in the sector, informs and comments on general developments in microfinance as well as the different funding possibilities. 1to4 Foundation from Lignieres uses innovative methods to mobilize capital for investments in microfinance and small business finance as well as corresponding capacity building technologies and products. Finally, the SDC funded various microfinance and financial access programmes carried out by Swiss aid organizations like Helvetas Swiss Intercooperation, Caritas or Swiss Interchurch Aid (HEKS).

Dedicated individuals. Microfinance investments in Switzerland have been receiving early and continuous support by dedicated individuals. While they are not necessarily microfinance professionals themselves, these individuals usually have a keen personal interest in the wellbeing and sustainability of the microfinance model based on their backgrounds, for instance, as entrepreneurs, development agents or global citizens. Whereas some of them also support microfinance activities financially, they are distinguished from other private investors through their commitment and personal engagement in the public discussion on microfinance, for example, as part of public information events and awareness-raising campaigns.

Associations. Many of the above mentioned organizations partner with each other in one or more of the following Swiss associations. First, the Swiss Microfinance Platform (SMP) was set up in 2007 in an effort to establish a national platform and bring together all microfinance stakeholders in Switzerland. According to its website, the association's latest activities, however, date back to 2009. Second, the World Microfinance Forum Geneva (WMFG), an international investor platform founded in 2006, assists high-level stakeholders in their decisions regarding responsible investment in inclusive finance. Third, the Savings & Credit Forum, managed by the SDC since the mid 1990s, is a knowledge management platform that focuses on financial sector development. In a broader sense, the Sustainability Forum Zurich (TSF) organizes dialogue events, conducts research and runs projects with a focus on sustainability topics relevant to the Swiss financial market. Finally, the Forum Nachhaltige Geldanlagen (FNG) founded in

2001, is an industry association with a Swiss-arm that promotes sustainable investment in Germany, Austria and Switzerland.

This case description has introduced and informed in detail about the studied stakeholders. In view of their perceptions that are at the center of attention in this investigation, the focus of the following subchapter is on reviewing relevant literature and discussing existing research on the microfinance mission drift issue.

2.4. Issue: microfinance mission drift

Mission drift is a widely discussed topic in microfinance and signifies, in essence, an unresolved, inescapable tension that is concerned with how to navigate between the two inherent fundamental premises; financial sustainability and social impact. In analogy to Preston and O'Bannon's (1997) understanding of the social-financial performance relationship, supporters of a harmony thesis argue that, in principle, the two are mutually enforcing, insofar as a more profit-oriented and financially viable microfinance industry is better able to serve the poor (e.g., Christen & Drake 2002; Rhyne 1998). Advocates of an antinomy thesis, in contrast, are convinced that the move towards financial profitability necessarily diminishes social objectives. The relationship is thus seen as a trade-off in which one has to be prioritized over the other (e.g., Olivares-Polanco 2005; Paxton, Graham & Thraen 2000). Assuming that there is some truth in both views (e.g. Copestake 2007; Woller 2007), the potential risk that the industry as a whole is drifting from its original mission to alleviate poverty as it matures has been a matter of concern ever since commercial approaches became apparent in microfinance.

Before giving a suitable definition of the mission drift issue, the debate on the sector's commercialization that has run through the history of microfinance is elaborated as a relevant background. Afterwards, a review of theoretical literature provides concrete insights on what actually constitutes the mission drift issue in microfinance. Then, an assessment of the actual risk of mission drift raises the need to look at empirical evidence in order to learn what is actually known about the phenomenon and where limitations of current scientific knowledge are evident in this regard. At last, a conclusion is drawn on the review of pertinent mission drift literature.

2.4.1. Background

A series of events in some of the most advanced microfinance markets has recently brought to light the challenges of integrating microfinance into commercial financial markets. International and mostly one-sided media coverage of these events made not only the community itself, but also outside observers and the broader public aware of the growing risks involved. As a consequence, many microfinance supporters have become worried about reputational damage and the overall health of the sector for the first time (e.g., Evans 2010; Hilton 2009; MicroRate 2011; Reille, Forster & Rozas 2011).

Above all, the enormous growth of microfinance over the last years has in certain regions led to first signs of market saturation and relatively high levels of competition. Under these circumstances, MFIs were increasingly forced to pursue aggressive lending practices in order to continue their rapid growth. In the absence of appropriate information systems to collect credit records, this brought up the problem of overindebtedness of clients and led to a collapse of their repayment morale; issues with far-ranging implications for the entire industry (e.g., CSFI 2009; Schrevel & Klumpp 2010; Rosenberg, Gonzalez & Narain 2009; Sinha 2010; Yunus 2011).

The most spectacular case in point is the crisis in Andhra Pradesh, known as a major microfinance market in India. Trouble began between 2005 and 2006, when several cases of suicide, which all involved microfinance clients from private institutions, were recorded in this region. Indian politicians and their supporters accused the corresponding MFIs of lending to already indebted clients, charging usurious interest rates and adopting bad loan collection practices. Biased national media coverage eventually turned the crisis into a fight between public and private local stakeholders. At the heart of the conflict was the debate on interest rates and the real costs of providing microfinance services (Augsburg & Fouillet 2010;

CGAP 2010b; The Economist 2006; Rhyne 2010; Yunus 2011). In response to the events in Andhra Pradesh, the Indian government eventually implemented a tough microfinance ordinance at the end of 2010 and the central bank introduced a broad set of rules at the beginning of 2011 with indiscriminate consequences for the provision of financial services to the very poor in this region (M-CRIL 2011, cited in Conning & Morduch 2011). Other often-cited examples of overindebtedness crises occurred in Bolivia in 1999, in Bosnia and Herzegovina and in Morocco in 2008. In the very same year, Nicaragua further experienced the beginning of a repayment crisis (Kappel, Krauss & Lontzek 2010).

No other event, however, has been as controversial in microfinance as the initial public offering (IPO) of the Mexican Banco Compartamos in April 2007.[20] For some, the first IPO of an MFI served as proof of the fundamental premise that microfinance can be commercially viable and attract private capital. For others, this was a highly irritating event, due to the fact that Banco Compartamos was formerly an NGO backed by venture capital (Armendáriz & Morduch 2010). By initially transforming into a regulated for-profit institution and later into a formal bank (see Andorfer 2010), it cleared the way for the stock exchange listing and blessed original equity investors with impressive profits. Consequently, many outside observers and even advocates of a financial system approach were shocked by the way in which involved business leaders converted former public grants to establish an MFI and interest rates of borrowers into private fortunes. In this instance, commercialization seemed to have led to an unequal redistribution of assets (Arun & Hulme 2008). In August 2010 then, SKS Microfinance, at that time the largest microfinance company in India and the fifth-largest in the world, also successfully entered the stock-market and raised USD 386 million (e.g. Reille 2010; Yunus 2011).[21] The organizational process that led the way for this IPO was characterized by rapid growth in both loan volumes and profits. SKS' loan portfolio, for example, grew from USD 21 million in March 2006 to USD 790

[20] See Andorfer (2010), Cull, Demirgüc-Kunt & Morduch (2009) and Rosenberg (2007) for more details on the Compartamos IPO.

[21] For more details on the initial public offering of SKS Microfinance in 2010 see Chen et al. (2010).

million in September 2009, while return on equity went up from 3 per cent to 15 per cent during the same time (Evans 2010). Finally, further MFIs, mainly from India, are at the time of writing expected to go public in the next few years.

The controversial events outlined above mark an important contextual factor for analyzing stakeholder perceptions at this point in time. Through their dominance in media coverage and practice-oriented literature on microfinance, they strongly frame the current public discussion and shape the way in which professionals and the various stakeholders view current microfinance activities. In addition, these recent developments are symbolic and explain the topicality of the debate on the sector's commercialization described also in the scientific literature.[22]

Debate on commercialization. In principal, the related issue at stake is whether microfinance should in principle focus on maximizing poverty outreach of activities or financial viability of service providers (e.g., Morduch 2000; Rhyne 1998; Robinson 2001; Woller, Dunford & Woodworth 1999). This fundamental question has consequently split the community into two opposing camps; 'welfarists' as proponents of a poverty lending approach and 'institutionists' as advocates of a financial system approach (e.g., Brau & Woller 2004; Kar 2010; Woller, Dunford & Woodworth 1999). In view of this polarization, the former essentially perceive the relation between financial and social objectives in microfinance as a trade-off, whereas the latter think of it as a win-win proposition.

Institutionists have been taking microfinance towards the idea of building a fully commercial, profit-making industry. They feel confident that only with improved access to foreign capital and expertise are MFIs able to achieve their social objectives on a lasting basis (Evans 2010). Michel Chu, the visionary behind the Mexican Banco Compartamos, the largest commercial MFI in Latin America, for example, points out that in order to truly fight poverty, microfinance needs to

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[22] In this context, the author of this work is aware of the fact that reviewing related literature on the controversial events in microfinance and stating associated opinions could further add to a framing of the public discussion by unintentionally conveying a biased view of these events. However, it is the intent of the author to give an objective review and thus counteract to any one-sided or biased perspective thereof.

accomplish three conditions; massive outreach, permanence and continuous efficacy and efficiency. Chu is profoundly convinced that the only viable model capable of consistently and simultaneously meeting these conditions in microfinance is profit-oriented business. Therefore, a commercial approach to microfinance matters in the eyes of end clients, because it means that their financial needs are backed by a strong and healthily profitable industry (Ferris 2008).

In this sense, the concrete opportunities that commercialization in microfinance holds out are manifold. On the one hand, proponents usually stress that increased commercialization means competition. With the entrance of commercial providers to the market, MFIs are forced to accelerate the pace of innovation and find more cost-effective responses to the diverse client needs. As a result, end clients directly benefit from lower prices, improved quality, product and service innovations as well as technological advancements. Overall, an abundance of market offerings is made available and microfinance is opened to include customers who are not the poorest of the poor, but nonetheless excluded from traditional banking (Armendáriz & Morduch 2010; Woller 2002). On the other hand, increased commercialization also means regulation. Given that only regulated financial institutions like banks are typically entitled to collect and intermediate savings, the transition of MFIs offers the opportunity to provide much needed savings facilities. Deposits, in turn, provide an additional source of funding for MFIs to increase their outreach again. In this sense, "…commercial microfinance institutions are at the heart of the win-win proposition of microfinance: that by adopting commercial principles and practices, institutions can do more to reduce poverty" (Armendáriz & Morduch 2010, p. 242). From this point of view, it seems encouraging that the financial system approach has gained ground in microfinance lately. However, a number of central questions regarding the risks and challenges the trend of commercialization presents for microfinance usually remain unanswered by institutionists.

Critics generally fear that recent developments are distorting the original objectives and aspirations that gave rise to the microcredit movement in the first place. Notably, Muhammad Yunus, founder of the Grameen Bank and Nobel Peace Prize laureate, firmly believes that "…commercialization had been a terrible wrong turn for microfinance, and it indicates a worrying 'mission drift' in the motivation of those lending to the poor" (Yunus 2011, p. 23). More specifically, poverty lending advocates usually argue that commercial interest in microfinance reduces its ability to reach the poor. In the process of transforming into a commercial company, former non-profit MFIs are believed to move up-market and leave their original target group behind. As a consequence, the industry as a whole would eventually abandon its original mission to serve the poor (e.g., Bruck 2006; Dichter & Harper 2007; Mersland & Strom 2010; Woller 2002).

Recent empirical evidence has reinforced the concerns of welfarists. Cull, Demirgüç-Kunt and Morduch (2009), for example, find on the basis of a large, cross-country study that regulation is negatively associated with poverty outreach of MFIs. In other words, transformed institutions that have become subject to regulatory supervision indicate a shift in serving better-off clients and fewer women. However, the authors again disregard the questions of benefits from regulation in terms of client protection and institutional stability and, more importantly, to what extent transformation has led to gains in breadth of outreach.

At this point, the debate has also come to focus on the role of international investors. Armendáriz and Morduch (2010) argue that, while transforming into a commercial institution brings many organizational and strategic changes, the requirement for doing so is primarily the access to capital from outside investors. Therefore, questions that are usually addressed in corporate finance, such as ownership, governance, and organizational incentives, have been taken up (see Conning & Morduch 2011). In this context, Yunus (2011) takes the rising troubles in microfinance markets as an indication of the problems that arise from opening microfinance to profit-seeking capital markets. More specifically, his criticism is directed toward the ownership structure of commercial institutions and the way in which profits are earned by foreign shareholders at the expense of the poor. Therefore, MFIs should seek local funding, primarily through savings deposits, instead of tapping volatile international capital markets, which on top of that may transmit financial risks to the poor. Yunus argues that, in this way, microfinance can flourish without profit-maximizing investments (Ferris 2008; Yunus 2011).

In conclusion, the unclearly framed debate on commercialization serves as a thematic background to the mission drift issue, insofar as it has given a premonition of the spectrum of different views and opinions within the microfinance community. Assuming that the discussion in the literature is overly polarized, Conning and Morduch (2011) argue, however, that many in the sector have come to realize that, in practice, the secret of success for microfinance lies somewhere in between: “neither a strictly philanthropic path nor a fully-commercial path has delivered institutions that serve most of the people most of the time… in principle, empathy can be compatible with profitability” (Conning & Morduch 2011, p. 3/5).

2.4.2. Definition of microfinance mission drift

Few authors have made an attempt to explicitly define mission drift with respect to microfinance. Bringing the characteristics of an institutional mission drift per se into relation with the contextual peculiarities of microfinance appears to be decidedly complex. Beyond that, coming to an agreement on a universally accepted definition seems to be challenging due to the different analytical perspectives the authors depart from.

Irrespective of a specific context, mission drift occurs when an institution experiences an “unplanned or hidden change in preferences and resulting behaviors” (Copestake 2007, p. 22). By referring to the concepts of performance management and variations in time horizons, Copestake (2007) argues that an institution is drifting from its mission as a response to past performance, when the steps taken to achieve a more desirable future performance outcome directly induce unconscious changes in preferences, hence its mission. In line with this understanding, MacDonald (2010) offers an institution-specific view of mission drift, which highlights the consistency between an individual organization’s aims and actions. Accordingly, he speaks of “an organization’s unintentional deviation from serving its intended target clients" (MacDonald 2010, p. 244). While the client focus of this definition is certainly a step in the right direction, it does not yet, however, establish an adequate link to the specific context of microfinance.

Most commonly, mission drift from a microfinance standpoint is defined as "the de-emphasis of the social mission in pursuit of higher financial returns" (Woller 2002, p. 15). By conceiving the two inherent value propositions of microfinance as contradictory to each other, this context specific definition refers to the above debate on the industry's commercialization and the controversial but widespread claim that commercial approaches lead to negative outcomes for the poor (e.g., Christen 2001; Woller 2007). Yet, Woller's (2002) definition does not provide any insights into what factors actually constitute mission drift from an empirical point of view. Despite the author's awareness of the several forces that affect whether and to what extent the phenomenon occurs, he omits further detailing of the way in which a mission drift expresses itself.

From an institutional perspective, concerns in microfinance about the issue mostly rest upon the organizational processes in which MFIs transform and scale-up[23] due to commercial pressures (e.g., Campion, Dunn & Gordon 2001; Rhyne 2001; Woller 2007). In this respect, some authors use what seems to be a more integrative and insightful definition of the term; they portray mission drift in microfinance as the situation where an institution moves away from serving poorer or low-income clients in pursuit of institutional viability (e.g., Cull, Demirgüç-Kunt & Morduch 2007; Frank 2008; Hishigsuren 2007). While institutional viability means financial profitability, the concrete fear is that MFIs become too focused on making profits at the expense of serving their original customers. However, even this definition is based on two troublesome assumptions. First, it assumes that there is one singular, overarching, original mission that all MFIs must adhere to and, second, the terms 'poorer' and 'low-income' remain open to interpretation (MacDonald 2010).

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[23] Scaling up of MFIs is understood mostly in terms of 'growth' and 'expansion' of their business operations (Kar 2010).

The complexity and elusiveness of the issue is finally highlighted by the methodological difficulties in measuring mission drift. In particular, some MFIs try to obtain profitability by a shift in poverty levels of their client base in order to minimize transaction costs. By tapping wealthier clients who typically request larger loans, these MFIs seek to decrease the high costs involved in dealing with small loans requested by poorer clients (Gonzalez-Vega et al. 1997). As a result, recent research efforts widely use average loan size to measure whether MFIs are moving away from their poverty alleviation mission in the process of scaling-up (e.g., Armendáriz & Szafarz 2011; Armendáriz et al. 2011; Cull, Demirgüç-Kunt & Morduch 2007; 2009; Gosh & Tassel 2008; 2011a; 2011b; Schreiner 2002). However, average loan size as a proxy for mission drift has several limitations. Above all, larger loans do not necessarily indicate a mission drift in the sense of the definition given above, but could also be a function of several other factors such as choice of strategy, period of entry into the market or the natural evolution of target groups (Christen 2001). To give an example, progressive lending[24] and cross-subsidization[25] are just two alternative explanations for an increase in average loan size as a consequence of strategic choice (Armendáriz & Szafarz 2011).

2.4.3. Theoretical analysis of mission drift

A handful of theoretical studies with slightly differing focuses provide valuable insights into the conditions under which mission drift might occur. With a focus on the strategic interaction between heterogeneous MFIs and clients, Armendáriz and Szafarz (2011) argue that mission drift is not driven by transaction cost minimization alone. Instead, MFIs could potentially deviate from their mission as a result of the interplay between institution-specific parameters, such as the

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[24] Progressive lending is the situation in which existing borrowers can reach higher loan ceilings after observing a clean repayment record at the end of each credit cycle (Armendáriz & Szafarz 2011). For a more complete explanation on progressive lending and the rationale behind it see Armendáriz and Morduch (2010).

[25] Cross-subsidizing is the situation in which MFIs reach out to the unreached wealthier clients in order to finance a larger number of poor clients whose average loan size is relatively small (Armendáriz & Szafarz 2009, p. 2).

weight that an MFI gives to serving the poor and region-specific parameters. For example, the cost of reaching the poor in sparsely populated regions like Sub Saharan countries is relatively high due to the time-consuming access to clients, thus interest rates might be high as well (Armendáriz & Szafarz 2011, p. 363). In conclusion, the authors particularly highlight the organizational complexity at work when MFIs' loan portfolios change. This in turn makes it difficult to disentangle the different concepts and empirically establish whether and for what actual reasons MFIs have deviated from their poverty-reduction mission. Finally, it has to be taken into consideration what MFIs themselves advertize as being their main mission (Armendáriz & Szafarz 2011).

By focusing rather on the supply of funds and the link between external investors and MFIs, a small number of theoretical studies deserve particular attention regarding the investment context of this study. With respect to the crisis in Andhra Pradesh, Augsburg and Fouillet (2010) generally raise caution against the influence of donors and international organizations by investigating the extent to which their behavior affects whether MFIs experience mission drift or not. The authors feel that in some cases international organizations may have pushed MFIs to become financially self-sustainable, thereby triggering a shift in lending portfolios or lending practices. This point is also made by Gosh and Tassel (2008; 2011b), who note that the entry of large profit-oriented donors and investors, whose objectives cannot be described as simple poverty reduction might threaten the original objectives of microfinance. However, based on their theoretical examination of reasons for changes in lending portfolios, Gosh and Tassel (2008) point out that a shift from smaller to larger loans can be in perfect consonance with poverty alleviation aims, since MFIs might in this way become able to obtain a larger budget and subsequently serve more clients under certain circumstances. On the downside, they also find that there is a negative consequence of such a portfolio drift towards lending to the less poor and whether it is worth it, depending on the amount of funds available and the MFIs competing for these funds.

2.4.4. Empirical evidence on mission drift

A number of efforts have been made to empirically determine the relationship between depth of outreach and financial profitability in microfinance in order to shed light on the mission drift phenomenon. Overall, these studies provide limited, but nonetheless encouraging insights on the nature and the determinants that shape the issue and the consequent major changes in the impact of microfinance. However, only few studies are conducted rigorously and in-depth, and one should be wary of placing too much validity and reliance on existing empirical research. More often than not, the results within and across these empirical studies are rather mixed and sometimes even conflicting.

Most empirical studies address mission drift by taking the emerging tendency of originally not-for-profit organizations transforming into formalized financial institutions as an opportunity to investigate the effects of commercialization on microfinance’s social mission. In a first round of empirical research, studies thereby mainly focus either on a single case in which an MFI transforms as a strategy of scaling-up or on single country or regional trends of MFI transformation. For the most part, this preliminary empirical evidence supports the harmony thesis, implying that a commercialized microfinance industry is better able to serve the poorest. More recent research efforts that specifically address mission drift are increasingly sophisticated and employ large cross-country data sets to analyze multiple relevant variables. Their main tenor is that MFIs are, in fact, able to maintain their social mission even when they push for financial goals. Nevertheless, some sort of change in loan portfolios is found in most transformed MFIs, whereas it is often left open to own interpretations whether this means mission drift or not.

As a part of early efforts, Gonzalez-Vega et al. (1997) examine what is considered to be the first major case of its kind in microfinance, namely the transformation of PRODEM, a not-for-profit institution, into shareholder-owned BancoSol in Bolivia. By exploring the sources of increases in loan size, the authors conclude that mission drift has not occurred in this case. In a similar instance of institutional transformation, Campion, Dunn & Gordon (2001) analyze MiBanco in Peru and also find no signs of mission drift as such. Their analysis of the data collected before and immediately after the transformation, however, reveals a surprising shift of client profile toward poorer clients, which the authors attribute to increasing competition that might have skimmed off wealthier clients. In another, more thoroughly conducted case study, Hishigsuren (2004) explores whether Activists for Social Alternatives (ASA), a poverty-focused MFI in India, experienced mission drift in the process of scaling-up. Again, the results of this mixed-methods pre-post examination indicate that ASA has maintained its poverty alleviation mission measured by a set of indicators.

From a region-specific perspective, Christen (2001) draws a similar conclusion after examining the impact of commercialization on the strategy and performance of several Latin American MFIs. Although this study reveals that regulated, transformed MFIs provide larger loans and thus have significantly larger loan balances than non-regulated NGOs, Christen (2001, p. 17) argues that on the basis of the observed variables "…there seems to be no compelling argument that this represents mission drift". However, he implicitly acknowledges that relying on average loan size as a main indicator to measure mission drift and comparing regulated with non-regulated institutions may be problematic, as mentioned above. Thus, the question of whether mission drift in one way or another has occurred in this case cannot be satisfactorily answered by means of the employed methods, putting the somewhat controversial findings into perspective. Moreover, Olivares-Polanco (2005) uses data from 28 Latin American MFIs to test some of Christen's (2001) conclusions among other factors that may affect loan size in a regression analysis. In doing so, the author's models actually confirm that there is a trade-off between depth of outreach and financial sustainability, thereby supporting what Paxton, Graham & Thraen (2000) argue earlier on, namely that serving the poorest segments and being financially viable is conflicting since transaction costs associated with smaller loans are higher than those associated with larger loans.

From a similar perspective, Charitonenko, Campion and Fernando (2004) report in a study commissioned by ADB on four consecutive country studies that investigate the performance of some of the most commercial MFIs in the Asia and Pacific region. The authors conclude that the MFIs under investigation in Indonesia and the Philippines have not experienced mission drift to any extent in the process of the microfinance sector's rapid commercialization in this region. While these country studies provide valuable information on region-specific aspects of microfinance commercialization, mission drift is merely brought into relation as one of many critical issues. These research efforts, therefore, appear not to have examined and addressed the mission drift issue in its full complexity.

Fernando (2004) analyzes a sample of 39 transformed MFIs and finds that while their financial situation largely improved, they show no sign of drifting away from their original mission. In contrast, Frank (2008) compares the performance of 27 transformed MFIs with an equivalent control group of NGOs regarding financial and non-financial trends such as client and portfolio growth, average loan size, profitability, savings mobilization and ownership structure on behalf of the Women's World Bank (WWB). The study's conclusion is that transformation results in higher average loan sizes as well as a decline in the percentage of women served and thus implicitly speaks for a case of mission drift (Frank 2008).

The first larger, cross-country study that explicitly and more rigorously addresses mission drift was conducted by Cull, Demirgüç-Kunt and Morduch (2007). By examining a data set of 124 MFIs across 49 countries, the authors conclude that, depending on the type institution, it is possible to earn profits while serving the 'poor', yet a trade-off emerges between profitability and serving the 'poorest'. In other words, institutions with the highest profit levels perform the weakest in terms of outreach to the *poorest*, according to this study's results. In addition, the findings indicate an association between larger loan sizes and lower average costs, supporting the assumption that MFIs that aim at the poorest clients are more likely to struggle with becoming financially viable (Ghosh & Van Tassel 2008).

In another important macro level study, Mersland and Strom (2010) analyze panel data of 379 rated MFIs for signs of mission drift in the form of average loan size, lending methodology, main market focus, and gender preference. Concerning loan size, they find no increase on average for the industry as a whole, nor in terms of changing lending models and geographic target markets does the study indicate mission drift. Nonetheless, as average profit and cost tends to increase average loan and other drift measures based on their findings, the authors argue that more focus should be given to cost efficiency in MFIs.

Kar (2010) presents a series of factor analyses on the topic of performance and mission drift in microfinance. These regressions rely on longitudinal panel databases of up to 782 MFIs from 92 countries and provide mixed findings. Overall, evidence of mission drift cannot be established at a significant level. However, certain associations between different variables suggest that particular client groups are more like to become subject to an MFI's mission drift than others. Another, more interesting conclusion that confirms prevalent speculations is that the occurrence of such mission drift tendencies largely depends on the geographic region in which an MFI is active. MFIs in some developing regions show some evidence of mission drift while others from different regions do not show a similar trend.

Most recent, one study specifically focusing on mission drift deserves special attention in the context of this research project. Therein, MacDonald (2011) determines whether the for-profit MFI, Association of Social Activists International (ASAI) India has experienced mission drift in comparison to its non-profit counterpart ASA Bangladesh. This study is unique insofar as it mainly uses qualitative, in-depth data and employs a social performance management framework. It thus yields novel insight into the mission drift phenomenon. As such, the findings suggest no negative consequences regarding depth of outreach from a commercial approach of ASAI India, on the contrary, "ASAI India's efforts in strategic planning for social performance were actually stronger that those of ASA Bangladesh, an outcome paradoxically attributable to the commercialized nature of the Indian market and the presence of social investors therein" (MacDonald 2011, p. xii). As a result, the study not only highlights again the importance of country context for mission drift analyses, it also brings forward the proposition that it is not the legal structure which is determinant for MFIs' social performance, but rather the policies and preferences of management (MacDonald 2010; 2011).

2.4.5. Concluding remarks

From the definition through to the empirical evidence, the discussion on mission drift in the microfinance literature is characterized by ambiguity and vagueness. The multi-faceted phenomenon is still poorly understood and clarification is needed along various lines, which makes it a subject that is hard to explore. Latest empirical insights have considerably added to a clearer understanding however. On their basis, it is legitimate to say that the overall effect does not seem to be unidirectional, in the sense that the pursuit of financial goals necessarily leads to a neglect of social objectives in microfinance. Instead, early findings point to the assumption that commercial approaches may actually promote mission adherence of microfinance stakeholders in some cases. However, the mission drift issue still begs central questions when microfinance investments come into focus: in the light of commercialization and against the almost exclusive focus on MFIs in the literature, has mission drift not also become a matter of the investor setting? And if so, what can these stakeholders on their part contribute to actively manage the risk of mission drift? Based on these fundamental questions, this study investigates the microfinance investor setting as an increasingly powerful stakeholder network in the sector. Capturing and comparing their perceptions of the issue sheds light on associated roles and responsibilities.

In conclusion, the discussion on mission drift in microfinance serves as a suitable literature-based point of reference for this investigation. In a broad sense, it embraces fundamental questions about the sector’s commercialization and integration into international capital markets. Therefore, the controversial issue provides the required value-centered background to examine the stakeholder perceptions in microfinance, especially in the context of commercial investments.

2.5. Gaps in microfinance literature

This literature review suggests that in order to negotiate immediate and future challenges, the view of empirical research has to be broadened to include the entire microfinance value chain. In particular, the investor landscape has to receive more attention in research and the issue-specific literature. In fact, mission drift is almost exclusively discussed as a problem of microfinance service providers and their clients, since this is where it becomes manifest. Yet the forces and impetuses for why it does or does not occur often seem to arise from a microfinance institution's wider business environment and the relationships it forges with other stakeholders. As a consequence, existing research efforts have commonly fallen short of taking influences from the broader stakeholder environment, particularly the investor setting, into account. Therefore, this study aims at this distinct gap in microfinance research by explicitly combining a focus on commercial investments with the microfinance mission drift issue.

A further relevant gap arises from the methodological nature of existing research in the specific area. Judged by the available literature, there is a clear lack of qualitative research on the investor setting in microfinance. However, some recent efforts have indicated that a qualitative approach may offer new and valuable insights into a field that has so far typically been apprehended from a quantitative perspective (see MacDonald 2011). In this sense, the present case study marks a starting point for addressing this imbalance. It is based on the conviction that without a comprehensive understanding of the investor side, the involved stakeholders, their roles and motives, original objectives and future achievements of microfinance may be at stake.

2.6. Contextual delimitations

The preceding review of relevant microfinance research and literature necessitates highlighting two contextual delimitations of this investigation. First, the presented study abstains from evaluating technical aspects of microfinance investments such as portfolio management considerations and risk/return profiles. Some first efforts have been made to illuminate the technical specifics of microfinance as an asset class (e.g., Becker 2010, Oehri & Fausch 2008), which are acknowledged in this investigation. Equally, the introduced study does not involve a quantitative analysis of the phenomenon, as has been indicated at several junctures over the course of the thesis so far. Above all, the dominance of quantitative information on the specific area marks a clear need and justification for the conduct of a qualitative case study. However, this delimitation does not mean that the background established over the course of this chapter has abstained from drawing on related contributions. As much as the present chapter has relied on a combination of practice-oriented and scientific streams of microfinance literature, since both have distinct advantages and offer different perspectives, the review has also considered technical and quantitative information deemed relevant in this context.

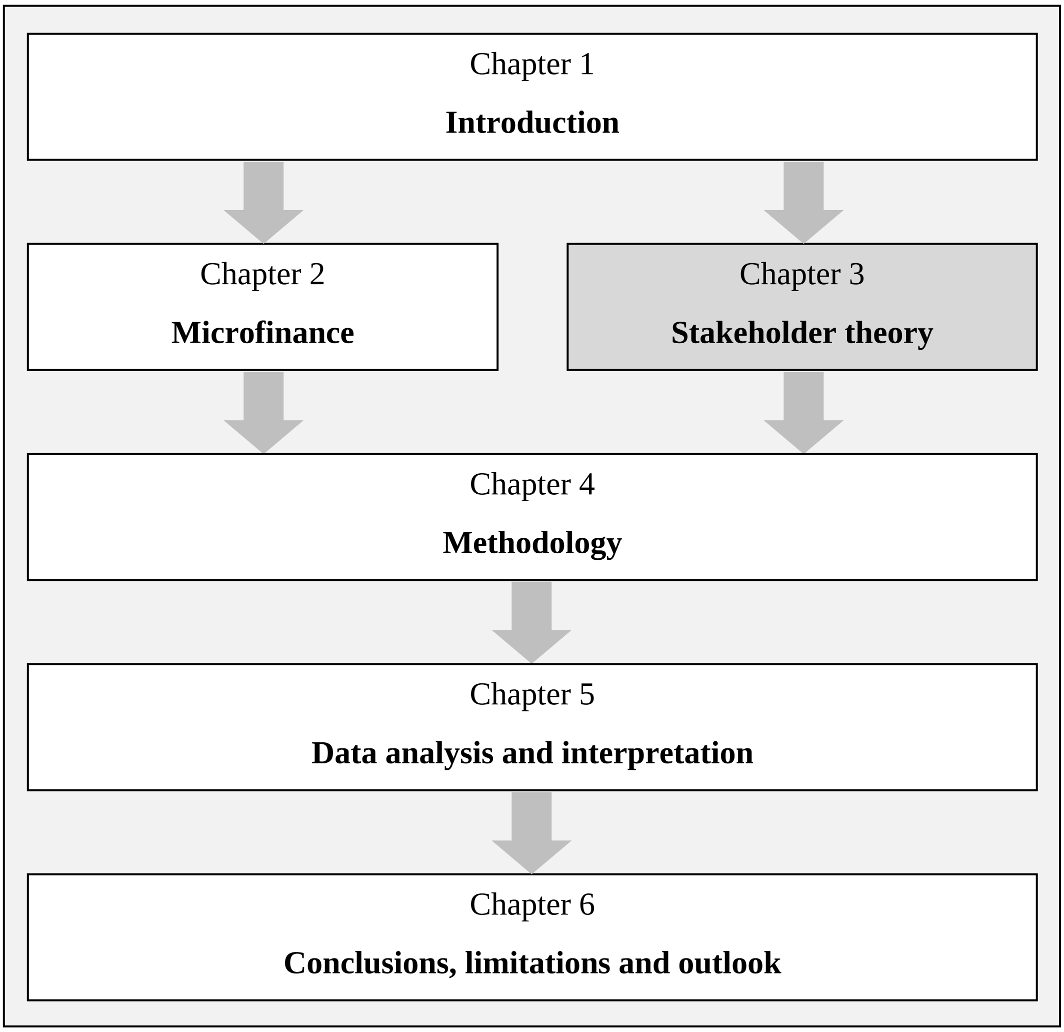
Second, the empirical study presented in this work focuses exclusively on the Swiss microfinance investment stakeholder network, whereby nation borders, in a strict sense, mark the boundaries of the case. Switzerland is thereby regarded as unique in the sense of case study research, as elaborated in Chapter 4, Methodology. Although being aware that the stakeholders of interest share much more complex and diverse relationships than the financial value chain of microfinance illustrated above might suggest, commercial investment activities in this study are at the center of attention for the purpose of abstraction. However, as much as a previous section accounted for support services and actors from the broader stakeholder environment, the empirical investigation also takes into consideration network interactions that go beyond financial contributions. This aspect is further elaborated as an inherent part of the relevant theoretical concepts, discussed in the next chapter; Chapter 3, Stakeholder theory.

2.7. Conclusion

With the entrance of professional investors and financial intermediaries in the late 1990s to microfinance, the bottom end of financial markets has started to become intertwined with its high end. The trend of foreign microfinance investments has intensified ever since and a new set of stakeholders, mostly from industrialized western countries, has been gaining in importance for the provision of financial services to the unbanked poor in developing and emerging economies. Pioneers from Switzerland have thereby played a critical role and explain the country’s leading position in commercial microfinance investments today. Therefore, the Swiss microfinance investor setting is considered to be a most suitable case to be explored when it comes to understanding these particular stakeholder networks more thoroughly.

As the sector is coming-of-age, however, practical problems and the strings attached to integrating the originally not-for-profit and socially-driven development movement with international capital markets have come to light. Due to the occurrence of a number of controversial events in isolated trouble spots and in the aftermath of the recent global financial crisis, the sector as a whole and particularly related cross-border investments are also viewed with a critical eye and thus seem to be at a critical juncture. In the microfinance community, the latest developments have given rise to a revival of the fundamental debate about commercialization and the mission drift issue that has run through its history. As a result, the current state of the sector and the particular issue at stake makes it both necessary and timely to conduct research in that area.

The second chapter of this thesis has gradually established the contextual background for the empirical investigation by reviewing existing research and literature on microfinance investments and the mission drift issue respectively. After having initially defined relevant terms and outlined the state of it, the market imbalance in microfinance has given rise to thorough discussion of the phenomenon of microfinance investments. At the center of the chapter, the specific stakeholder groups of the Swiss microfinance investment network that make up for the empirical case in this study were specified. Referring to the debate on the sector's commercialization that has run through the history of microfinance, mission drift as the issue of interest has subsequently been elaborated in detail. Finally, the relevant research gaps as well as the contextual delimitations have been identified. The next chapter covers the pertinent concepts of stakeholder theory in order to provide a sound theoretical framework to guide this inquiry.


Chapter 1
Introduction
Chapter 2
Microfinance
Chapter 3
Stakeholder theory
Chapter 4
Methodology
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Data analysis and interpretation
Chapter 6
Conclusions, limitations and outlook

Chapter 3: Stakeholder theory

While the role of microfinance literature is to provide the contextual background and bring the specific issue into focus, stakeholder literature takes the part of substantive theory. As the theoretical parent discipline behind this study, the main purpose of stakeholder theory is to provide guidance, inasmuch as it serves as a theoretical lens for the inquiry. In other words, a set of selected theoretical concepts from the emerging stakeholder paradigm introduced and elaborated in the following, have given shape to the research questions and determine the analytical perspective adopted in this empirical investigation.

After a brief introduction to the emergence of the stakeholder model, the current chapter proceeds with an outline of the emerging stakeholder paradigm as the central theoretical framework. Then, it establishes a basic understanding of the relevant aspects by introducing the applied concepts based on their theoretical foundations. Existing literature of the stakeholder network view with a special focus on an issue-centered approach is reviewed afterwards. At the center of this chapter lies the conceptual elaboration of stakeholder perceptions and mutual value creation with regard to the engagement motivation of stakeholders, the principle of mutuality, the related notion of value and the more practice-oriented idea of contributors to value creation. In the same manner as in the preceding chapter, gaps in the literature and the delimitations from a theoretical point of view are subsequently outlined. At last, the guiding conceptual framework for this study is presented, which synthesizes the relevant stakeholder-oriented concepts with respect to the microfinance context, before final remarks conclude this chapter.

3.1. Introduction

Although similar ideas were expressed earlier, the term ‘stakeholder’, in a traditional understanding defined as “…any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman 1984, p. 46), first came up half a century ago (Friedman & Miles 2006). Since then, abiding interest in the stakeholder thinking began to take root as part of strategy theory, notably due to the seminal work of H. Igor Ansoff (1965). Yet, the actual popularization of the stakeholder approach is commonly attributed to R. Edward Freeman (1984) and the publication of his groundbreaking book *Strategic Management: A Stakeholder Approach*. The impulse for this work arose from the changing and increasingly turbulent business environment, which the author regarded as a call for a new management paradigm to overcome the obsolete model that conveyed the idea of the organization as a mere 'resource-conversion entity'. Freeman (1984) consequently postulated a revision of how the firm is inherently understood towards a stakeholder approach of strategic management in which the organization is thought of as a grouping of stakeholders and its purpose is to manage their interests, needs and viewpoints. From a managerial point of view, corporate decision makers thereby became the focal group of stakeholders in charge of fulfilling the organization's purposes and responsibilities by means of adequate stakeholder management (Freeman & Evans 1990). A firm's environment of strategically relevant stakeholders was in this context pictured as a firm-centric hub-and-spoke model with dyadic interactions between the independent actors (Freeman 1984). Unsurprisingly, this conceptualization of a stakeholder model provoked an ongoing debate in strategic management literature that has been gaining in popularity ever since (Friedman & Miles 2006).[26]

The broad claim that the stakeholder approach ought to represent a redefinition of the corporation was subsequently taken up and advanced by Post, Preston and Sachs (2002) in their *Stakeholder View* (SHV) of the firm. The SHV represents a comprehensive stakeholder-oriented value creation framework that integrates and builds on the two traditional approaches of strategic management; the Resource-based View (RBV) (e.g., Penrose 1959; Prahalad & Hamel 1990) and the Industry Structure View (ISV) (e.g., Porter 1980; 1985). However, the authors argue that, in reality, these two original views derived from economic analysis fall short of capturing a firm's entire strategic environment. In response, they eradicate this deficiency and extend their scope by also taking into consideration an organization's social and political sphere. Without implying varying importance,

[26] For a comprehensive review of stakeholder literature since Freemann (1984) see Laplume, Sonpar and Litz (2008) and for the state of the art consult Freeman et al. (2010).

critical stakeholders accordingly emerge from three different domains; a firm's resource base, industry structure and social-political arena (Post, Preston & Sachs 2002). Such an understanding of the firm's extended stakeholder environment has two main implications relevant for the context of this investigation.

On one side, it necessitates an adjusted notion of value creation. In the sense of the SHV, the firm's capacity to create value over the long run, referred to as *organizational wealth* (see Sveiby 1997),[27] arises from its relationships with strategically relevant stakeholders from the different settings. Post, Preston and Sachs (2002, p. 51/52) argue in this regard that favorable and mutually beneficial relationships with stakeholders enable the firm to create wealth, whereas conflict limits or destroys wealth. Importantly, organizational wealth thereby equally includes tangible and intangible assets of the firm as well as the value of its reputation and network of external relationships.

Apart from that, a more specific definition of the term 'stakeholder' is required with respect to the firm's embeddedness in its extended stakeholder environment. While Freeman's (1984) definition has often been criticized for being too all-inclusive (e.g., Donaldson & Preston 1995; Mitchell, Agle & Wood 1997; Phillips 2003), Post, Preston and Sachs (2002, p. 19) define the stakeholders of the corporation as "…the individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers". Along these lines, the SHV has laid the foundation for a more sophisticated version of the stakeholder approach that urges a modern thinking of the purpose and responsibilities of the firm, which hence amounts to a paradigm shift in strategic management.

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[27] Post, Preston and Sachs (2002, p. 36) draw on a broad conceptualization of Sveiby's (1997) understanding of organizational wealth and define the term as "…the cumulative result of corporate performance over time, including all the assets, competencies, and revenue-generating capacities developed by the firm".

3.1.1. The emerging stakeholder paradigm

Recent developments and increasing challenges at the interface between business and society have confronted firms and their stakeholders with new expectations, ever-growing complexities and shifting dynamics in the setting in which they operate. On the basis of the latest empirical insights on the changing and more demanding stakeholder interactions as a consequence thereof, Sachs and Rühli (2011) have recognized potential for advancement of the SHV. As a result, they postulate a stakeholder-oriented framework that lives up to and refines Freeman's (1984) original aspiration, insofar as it lays out a new agenda for thinking about the purpose of the firm, its strategic vision and its business model for value creation (Freeman 2011, p. xv).

The emerging stakeholder paradigm builds upon the overall basic assumption that in a knowledge-based, networked society the purpose of the firm is mutual economic and social value creation with and for stakeholders (Sachs & Rühli 2011). In fact, the existence of a firm is justified by its ability to contribute to the needs of society through coordinated activities. Constituted by human beings with similar interests, it enables them to engage in a process to pursue a common purpose, which can be seen as inherent to all kinds of organizations. The common purpose thereby represents the basic motivation of individual human beings to engage, as a part of the firm or stakeholders, in mutual value creation (e.g., Freeman 2008; Freeman, Harrison & Wicks 2007). Such an understanding emphasizes the significance of individual perceptions of strategically relevant potentials and issues, inasmuch as they shape the associated processes by which value creation takes place. According to the stakeholder paradigm, the key for enhanced value creation finally rests upon network-based thinking and essentially lies in a fundamental shift towards mutuality, which enhances benefits and reduces risks for the firm and its stakeholders (Sachs & Rühli 2011).

As briefly introduced in the last paragraph, the emerging stakeholder paradigm inherently embraces the set of theoretical concepts pertinent to this qualitative inquiry. The next section is concerned with the relevant theoretical foundations from which these specific stakeholder-oriented concepts can be derived.

3.1.2. Theoretical derivation of relevant concepts

Since the emerging stakeholder paradigm draws on the existing body of knowledge on stakeholder theory, selected elements thereof deserve closer attention before introducing the applied concepts in more detail. For this purpose, Donaldson and Preston (1995) provide a suitable and useful tool to gain a better overview of the vast field of stakeholder theory and locate a specific study therein. Their three-way categorization classifies individual approaches towards stakeholder theory according to three interrelated, but nonetheless distinct conceptual levels; normative, instrumental and descriptive. A normative approach to stakeholder theory is concerned with how firms and stakeholders should act and view the purpose of the firm, an instrumental approach proposes what actions have to be taken from a stakeholder management standpoint to become more successful and a descriptive approach is concerned with how firms and stakeholders actually behave and view their roles and actions (Friedman & Miles 2006).

In view of the exploratory qualitative nature of the present investigation into the microfinance investment industry, the descriptive foundations of the relevant stakeholder-oriented concepts receive primary importance. From a descriptive perspective, the use of a stakeholder approach is justified by its actual manifestation in corporate environments. Hence stakeholder theory is considered to be essentially empirical or analytical and thereby presents a model for describing the corporation as a constellation of cooperative and competitive interests possessing intrinsic values (Donaldson and Preston 1995). In the process of describing, understanding and sometimes explaining specific corporate characteristics and behaviors, stakeholder theory consequently concentrates on two fundamental questions; who are the stakeholders of the firm and how do stakeholders interact with the firm?

With regard to the former question, the emerging stakeholder paradigm builds on the definition of Post, Preston and Sachs (2002) and accounts for "…those stakeholders that have something 'at stake', namely who have some possibility of gaining benefits or experiencing risk induced by the basic choices of corporate activities in value creation" (Sachs & Rühli 2011, p. 40/41). By forming the basis of the stakeholder paradigm's core idea of mutual value creation, this understanding stresses that each stakeholder is voluntarily or involuntarily and actively or passively involved in and thus contributing to the value creation process. A more concrete and practice-oriented understanding of potential contributors to mutual value creation is provided in an upcoming subchapter.

Regarding the latter of the above mentioned questions, recent developments in the field of business and society have given rise to a shift in perspective. Instead of a dyadic form of stakeholder-firm interactions, stakeholder relations are increasingly seen from a network-oriented perspective (e.g. Frankforter & Hill 2009; Frooman 2010; Garriga 2009; Roloff 2008; Savage et al. 2008). By elaborating this line of thought, the stakeholder network view, discussed more thoroughly in the next section, suggests that the focus has to move from a simplified firm-centric perspective to a view in which firms and stakeholders are embedded in a network to create value for the benefit of all. An innovative and plausible approach to define the boundaries of such a stakeholder network is by means of a prevalent issue. Accordingly, the domain within which mutual value creation among stakeholders takes place depends on whether a particular stakeholder is directly or indirectly affected by the specific issue. Such an issue-centered network perspective is found to be empirically valuable and has thus obtained wide acceptance in stakeholder theory over the last one and a half decades.

As a conclusion of these introductory deliberations, the stakeholder approach serves in this study as a guiding theoretical model that has proven particularly useful to accurately record and describe the empirical reality of firms and stakeholders engaged in an issue-centered network-based value creation process. After having introduced the overarching theoretical framework and the theoretical foundations of the core concepts, they are now discussed in greater depth.

3.2. Stakeholder network view

Stakeholder theorists traditionally envisioned the firm and its stakeholders in unilateral relationships and much attention has been directed towards a firm's management of its individual stakeholders (Freeman et al. 2010). In critique of Freeman's (1984) original hub-and-spoke model, Rowley (1997), however, proposed that firms are structurally embedded in networks of stakeholder relationships. More specifically, he argues that firms do not simply respond to each stakeholder individually in their daily business, but rather to multiple and interdependent influences from stakeholders, each of whom are embedded again in their own network. As a consequence, Rowley's (1997) 'network theory of stakeholder influences' initiated a trend towards a network-based perspective (see Friedman & Miles 2006).

The stakeholder network view, which is rooted in social network analysis[28], has also markedly informed the emerging stakeholder paradigm (see Sachs & Rühli 2011). Accordingly, this study adopts an issue-based stakeholder network perspective and thereby combines relevant aspects from the stakeholder paradigm's understanding of a firm's embeddedness in a stakeholder network, reviewed hereafter, and Frooman's (2010) conception of the issue network, which accounts for a strategically relevant issue in defining and analyzing the stakeholder network. With respect to the microfinance mission drift issue at the center of attention, this innovative issue-centered network approach is deemed to be highly suitable for a contemporary analysis of investor-related stakeholders in the microfinance sector.

3.2.1. The firm's embeddedness in a stakeholder network

One of the basic assumptions of the stakeholder paradigm signifies that the firm is embedded in a dynamic network of stakeholders. A firm's boundaries and thus the

[28] Social network analysis (see Granovetter 1985; Wasserman & Faust 1994) has enabled researchers to see the business environment as a societal sector (e.g., Nohria 1992), defined as "(1) a collection of organizations operating in the same domain, as identified by the similarity of their services, products or functions, (2) together with those organizations that critically influence the performance of the focal organizations…" (Scott & Meyer 1991, p. 117). The idea of a societal sector thereby coincides largely with DiMaggio (1986) and Scott's (1991) notion of 'organizational fields', which has found wide application in institutional theory.

distinction between internal and external stakeholders, as highlighted in traditional economic theories, thereby become less significant. More important from this perspective, it seems that the firm and the stakeholders are indispensible contributors to value creation (Sachs & Rühli 2011), as covered in concrete terms in an upcoming section.

As indicated before, the strategically relevant environment is in this sense made up of three spheres, each of which represents a particular set of stakeholders without whose contributions the firm's wealth creating capacity would be at risk. First, the stakeholder network can be understood as a resource pool. The firm taps and pools the resources contributed by various stakeholders in order to improve and develop the value creation process for the benefit of all (e.g., Sachs, Groth & Schmitt 2010). Second, the firm's positioning and benchmarking with regard to its embeddedness in networks is a decisive factor for its success. Special attention is paid to the positioning vis-à-vis shared stakeholders, which also exist and operate in networks' other than the one of the specific firm (e.g., Sachs, Rühli & Kern 2009). Third, social and political stakeholders form part of the network, without whose commitment and support the value creation process of the firm is jeopardized. Typically, social and political actors, such as governments and the media, create enabling frameworks for value creation or legitimate a firm's and its stakeholders' business activities (e.g. Perrin 2010). Above all, society is in this respect not to be seen as a constraint, but an inevitable contributor (Sachs & Rühli 2011).

In the particular context of the Swiss microfinance investment sector such a stakeholder network-oriented perspective finds direct applicability when thinking, for example, of a microfinance asset manager. As an internationally renowned financial center, Switzerland cultivates and attracts a competitive pool of employees in the area of investment banking and asset management. The local microfinance asset management firm thus potentially benefits from this by engaging a highly qualified workforce. With regard to the positioning within the network setting, it seems decisive for the asset manager to forge mutually supportive relationships with, for instance, other organizations from the established sector of sustainable investments in Switzerland and even with direct local competitors in order to strive after higher benchmarking and thus obtain a competitive advantage towards foreign microfinance asset managers. As far as the social-political sphere is concerned, one could think of the crucial relationship between the Swiss microfinance asset manager and the local financial market authority that determines the scope of actions within which the asset manager has to operate. In this sense, understanding a particular firm's business environment as stakeholder-oriented network comprising of different spheres seems much closer to empirical reality as the above example with direct relation to the study's subject vividly shows.

In brief, the stakeholder network comprises the entire set of contributors to a value creation process. Similarly to the stakeholders, the firm thereby represents one element within the network, whose position is constantly changing. A crucial factor that determines the size and shape of the network, as well as the question of whether the firm is able to manage its stakeholder relationships or leadership is taken by others, is the central common strategic issue to be focused on (Sachs & Rühli 2011).

3.2.2. The issue network

In an effort to take the emerging network perspective of the stakeholder approach one step further, Frooman (2010) proposes the concept of the issue network. By drawing on social movements and interest group literatures, the main contribution of this advancement to network-based stakeholder-oriented thinking is twofold. On the one hand, it eradicates the persistent arbitrary distinction between firm and stakeholder by reframing the way in which the latter is identified. Given the fact that every stakeholder in a network is, in some sense, a stakeholder of every other stakeholder in the network and there is no clear focal point (Frooman 2010, p. 164), the related question to be asked is who is the stakeholder of an issue instead of a firm. As a result, conditions under which actors become stakeholders of an issue are sufficient if they have a grievance, a valued resource or an opportunity to influence the particular issue.

On the other hand, the issue network elaborates the understanding of a conflicting topic at the center of a stakeholder network. Defining an issue as the subject of a disagreement among parties, Frooman (2010) argues that an issue network more realistically reflects the situation in which firms commonly find themselves; a situation in which the firm operates in multiple networks simultaneously without necessarily being at the center of one. Such an understanding largely corresponds to Sachs and Rühli's (2011) assumption that the position of a firm has to be treated as a variable of its complex social system, since it is not always in a position to control the various stakeholders. In this way, the idea of an issue-centered stakeholder network view extends and reinforces the analytical thinking adapted in this study, as it provides important reference points on how to place a certain issue at the center of attention in a stakeholder-oriented context.

Two central assumptions justify the use of the mission drift issue as a rationale for defining the boundaries and the nature of value creation within the examined stakeholder network. First, each stakeholder of the Swiss microfinance investment sector has been confronted with the mission drift issue or related sub-issues in one way or another, inasmuch as the investor setting of microfinance is commonly regarded as representing the origin thereof, as elaborated in the previous chapter. While opinions on the issue are expected to differ across actors, it is assumed that every individual or organization concerned with microfinance in Switzerland has at least grievance, a valuable resource or an opportunity to influence the issue and therefore qualifies as a stakeholder in the sense of Frooman (2010). As a result, mission drift is considered to be a persistent topic of strategic relevance for the entire microfinance investment industry that determines to a great extent how stakeholders collaborate or compete with each other and thus how mutual value creation takes place. Second, the discussion about a potential shift in aspirations in the microfinance industry has to some degree been emotionally charged and value-laden ever since. As a result, it provides the right context to simultaneously record and analyze stakeholders' perceptions of the basic motivation to become involved in the sector.

In conclusion, even though the issue-centered network view may be atypical for past stakeholder research, its recognition in academic circles as an advancement of the original stakeholder model confirms and legitimates its use. Many stakeholder theorists recognize social network analysis as a valuable perspective for stakeholder research (see Freemann et al. 2010; Friedman & Miles 2006; Sachs & Rühli 2011). Moreover, a growing number of scholars in the field of stakeholder management have applied a related perspective (e.g., Frankforter & Hill 2009; Frooman 1999; Frooman & Murrell 2005; Garriga 2009; Kochan & Rubinstein 2000; Neville & Menguc 2006; Roloff 2008; Savage et al. 2008), even though the issue-focus has only recently been added as an analytical advancement (Frooman 2010). In line with this trend, the present study also adopts an issue-centered stakeholder network view. It has proven, among others as part of the stakeholder paradigm (see Sachs & Rühli 2011), to be a valuable analytical perspective for looking at the context in which stakeholder perceptions and mutual value creation, discussed next, can be examined.

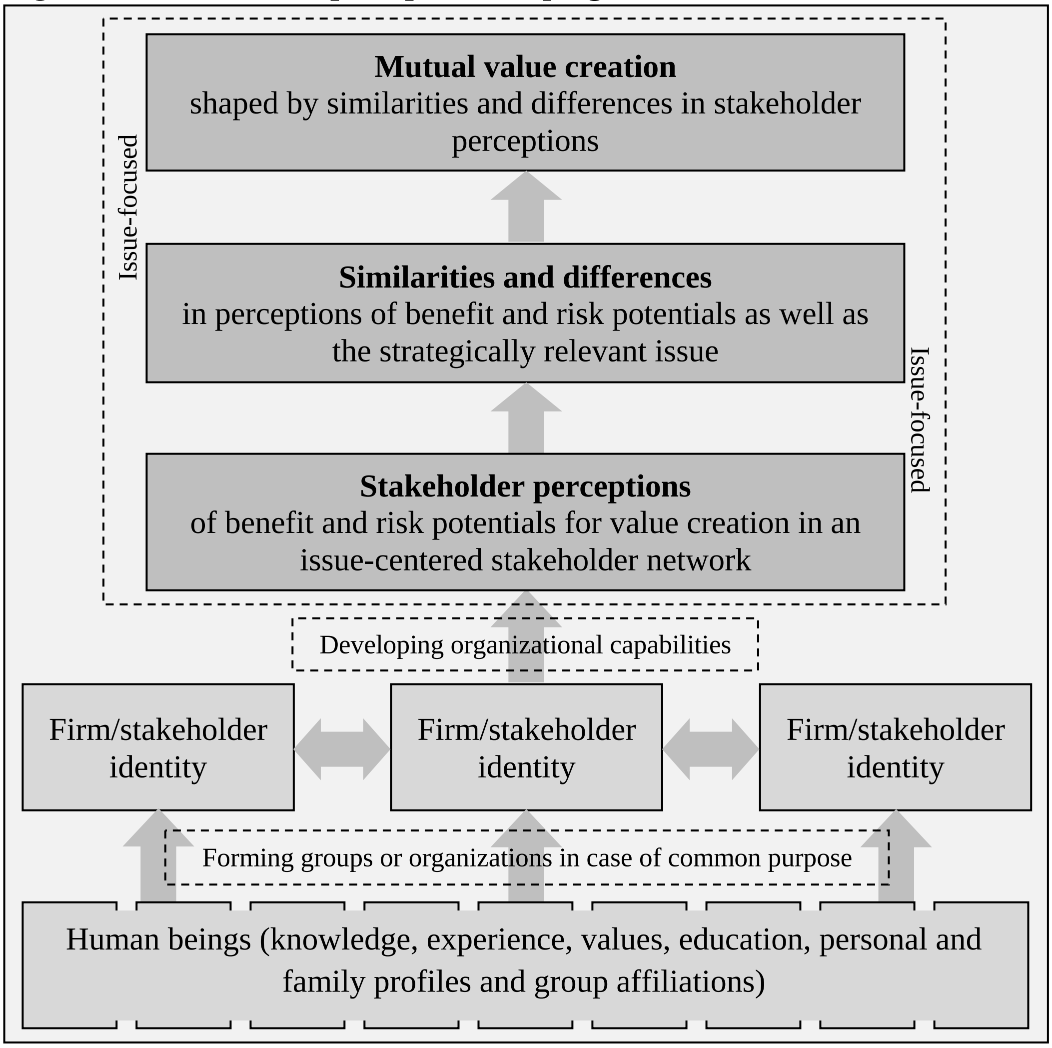
3.3. Stakeholder perceptions and mutual value creation

By gauging the perceptions of stakeholders from the Swiss microfinance investment network, the focus of this study is on the motivational aspects to engage in value creation, the nature and form of associated interactions as well as the specific salient issue that currently affects the sector's general appearance. This focus is directly reflected by the set of subsidiary research questions addressed in this study. While the context-specific issue of interest has extensively been discussed in the previous chapter, the following sections elaborate the distinct, but interrelated theoretical concepts that have given shape to this inquiry. As a starting point, the interdependencies between stakeholder perceptions and mutual value creation are clarified from the viewpoint of the stakeholder paradigm. The related key question in this respect is to what extent do stakeholder perceptions have an influence on mutual value creation.

In today's knowledge-based networked society, human beings more often than not form increasingly professionalized groups to become active in a value creation process or voice their interests. Thereby, every individual contributes distinct features such as knowledge, experiences, values, education, personal and family profiles and group affiliations to the organization formed in case of a common purpose. Acting as firms and stakeholders, these organizations gain distinct identities and capabilities that are strongly influenced by the particular features of the involved individuals (Bosse, Phillips & Harrison 2009; Sachs & Rühli 2011).[29] The organizational identities have again an impact on how the individual, the group or organization perceives the potentials for value creation in a given setting. With regard to firm-stakeholder interactions, similarities and differences may become evident in the understanding of value creation as well as the common issue. Such discrepancies in perceptions have a bearing on the nature of the interactions, inasmuch as they shape the benefit and risk potentials that underpin value creation. For instance, existing empirical insights suggest that a certain level of common ground among stakeholders regarding a particular issue facilitates in a first phase the identification of collective solutions and courses of action. If agreement on fundamentals is, however, absent, more effort in the form of time-consuming dialogue, agreement and coordination is needed in order to mutually create value, inducing a barrier to the entire network's competitive strength (Sachs, Groth & Schmitt 2008; 2010). Consequently, the entire set of perceptions has to be taken into consideration in order to fully understand the stakeholders' behavior and network-based interactions, and thus their idea of value creation with specific regard to a strategically relevant issue (Sachs & Rühli 2011). Figure 3-1 illustrates the above line of thought that broadly outlines the interrelation between these pertinent theoretical concepts.

[29] Sachs et al. (2010) provide an empirical example of such distinct stakeholder identities in the context of microfinance networks in India, whereas the study of Sachs, Groth and Schmitt (2010) empirically illustrates the organizational capabilities in the context of the pharmaceutical industry.

Figure 3-1: **Stakeholder perceptions shaping mutual value creation**



(Source: adapted from Sachs and Rühli 2011, p. 62)

The fact that the above mentioned relationships between the relevant theoretical concepts are poorly understood and hardly substantiated by empirical research adds to the exploratory nature of this investigation. Consequently, the study tries to add some clarification on the conceptual interrelations at play in the upper part of the illustrated line of argument. Furthermore, the influence of stakeholder perceptions on mutual value creation, as outlined above, urges the question of individual stakeholders' aspirations to engage in value creation, insofar as this aspect determines how the theoretical concepts are characterized in practice. Therefore, it makes sense to first elaborate the theoretical idea behind stakeholders' engagement motivation, before going into more detail on the concept of mutual value creation.

3.3.1. Engagement motivation of stakeholders

At the very beginning of developing an understanding of an issue-centered stakeholder network and its capacity to create value from a qualitative perspective, a number of strategically relevant questions that are concerned with the purpose and values of involved stakeholders need to be clarified. The underlying assumption is that every organized form of mutual value creation, whether within a single firm, a network of stakeholders or an entire value chain, first needs a common intent, aspiration, purpose, mission or guiding philosophy that explains the individuals' motivation to become involved. Therefore, the first subsidiary research question of this study aims at the purpose and values of the specific stakeholders by asking them about their perceptions of the motivation to engage in microfinance. The corresponding theoretical foundation for this preliminary question rests upon Freeman, Harrison and Wicks' (2007) approach of the 'enterprise strategy' that is concerned with these aspects.

The authors argue that value creation is inherently concerned with ethics and values, since at the outset of every associated process or interaction lies the standard strategic decision of the purpose of a business, in other words, for whom value is created. While the focus of the enterprise strategy is directed towards a single firm, it is argued here that the same applies, in a broader sense, to a network and even a whole value chain that strives to fulfill a common purpose. The reason for this is that every form of organization has a shared core purpose in the sense of 'why we are doing this', from which the involved individuals take their inspiration to get involved and motivation to make a distinct contribution (Freeman, Harrison & Wicks 2007).

Mission-related questions about the aspiration and motivation of stakeholders, which receive special attention in microfinance due to its dual value proposition, simply ask; why? Why are we doing what we are doing? Why do we want to do that? What do we stand for? They are value-based questions, because why-questions represent a request for a statement of the underlying values (Freeman, Harrison & Wicks 2007, p. 81). One way to think about the types of values that matter in this regard is to distinguish between intrinsic and instrumental values.

Intrinsic values are the final answers human beings give to why-questions and thus represent the ‘bottom line’ of their life and pursuits. Intrinsic value is something that one believes is good in and of itself. In contrast, instrumental or extrinsic values are simply means to another end and, in fact, contribute to the achievement of something with intrinsic value (Freeman, Harrison & Wicks 2007; Harrison & Wicks 2013).

The first subsidiary research question of the present investigation captures the purpose and values of the specific stakeholders that explain their involvement and actions. It further attempts to clarify what aspects may be of intrinsic value in microfinance and what notions may only serve an instrumental purpose from the point of view of the particular investor setting. Especially with regard to the inherent balance between social and financial objectives, it will be interesting to see what type of values investor-related microfinance stakeholders’ associate with which one of these two dimensions. Gaining, in this way, a fundamental understanding of these purposes and values in the context of the Swiss microfinance investment sector addresses the critical need to take account of the qualities behind the stakeholders involved in or directly related to microfinance investments. Besides, it helps to put their perceptions of mutual value creation and the mission drift issue into perspective.

Finally, what the first subsidiary research question of this study is standing for can best be summarized by the striking words of Freeman, Harrison and Weeks (2007, p. 79): “Focus on products and markets and you fit into what already exists. Focus on aspiration, purpose and values and you will change the world.”

3.3.2. Principle of mutuality

As a new approach to the understanding of value creation, the concept of mutual value creation lies at the very heart of the emerging stakeholder paradigm and integrates, to a great extent, the above discussed theoretical foundations (see Sachs & Rühli 2011). The second subsidiary research question of this study focuses on how mutual value creation with respect to a prevalent issue is perceived, for it provides an innovative and suitable framework to analyze stakeholder interactions in a network-based setting. In order to comprehend this concept in-depth, a definitional discussion that addresses, on one side, the central principle of mutuality and, on the other, the notion of value in stakeholder theory helps to reach clarification. At certain stages, more context-specific deliberations supplement the theoretical discussion in order to present this core concept as thoroughly as possible.

By envisioning the purpose of the firm in mutual economic and social value creation with and for stakeholders, Sachs and Rühli (2011) challenge the dominance of self-interest inherent to traditional economic and strategy theories. Accordingly, they claim a shift towards mutuality. Drawing on Freeman et al.'s (2010) notion of 'jointness' that is based on similarities, the authors set forth the principle of mutuality, which also takes into account the threat of a lack of common ground among firms and stakeholders. This aspect seems particularly relevant in a value-laden context, when values are non-negotiable for some of the actors or emotionally-laden issues are prevalent and lead to polarization (Sachs & Rühli 2011, p. 57).

Recognition for the principle of mutuality has far-reaching implications for value creation. Fundamentally, the stakeholder paradigm holds that mutuality…

> …implies that firm and stakeholders are contributing to value creation and are included in value distribution. Thereby, firms and stakeholders are seen as owners of their contributions.
>
> …induces superior forms of innovation, competition, and the operation of firms and stakeholders, striving for solutions to complex projects, difficult issues or innovative products and services.
>
> …enhances benefits and reduces risks for the firm and its stakeholders embedded in the network, and therefore leads to superior value (Sachs & Rühli 2011, p. 198).

Besides, mutuality in value creation implies a new approach towards cooperative and partner-like, yet also competitive and conflicting interactions among firms and stakeholders from the various business sectors. On the one hand, the process of cooperation enlarges value creation and leads to more sophisticated solutions than engaging in pure competition. Partnering with stakeholders from different business sectors, including the private, public, government and non-governmental, receives primary importance in this regard (Sachs & Rühli 2011). On the other hand, competition in the traditional sense of ‘economic rent reaping’ cannot be in the intent of involved parties, since it does not enhance the overall wealth creating capacity of a specific setting or stakeholder network. Competition based on mutuality is much more directed towards benchmarking between similar kinds of value creation settings, with the aim to stimulate and motivate the involved firms and stakeholders to improve the quality and effectiveness of their interactions in particular (Sachs & Rühli 2011).

The microfinance sector in general and the mission drift issue in particular offer a preferable context to apply and examine the concept of mutual value creation. As a first reason, microfinance has a value-laden background, since its inherent dual value proposition, which even has regained weight as an issue of concern in recent years, has moved involved stakeholders ever since. The differing views in the community about the sectors’ commercialization and the associated international investment trend, as described in the literature, raise the question of the extent to which mutuality among stakeholders from the observed investor setting is present. Second, the investigated network is comprised of actors with different organizational structures and from different sectors, which has an impact on the nature of collaboration and competition among the various stakeholders. This background suggests that if value creation appears to be successful
Finally, the concept of mutual value creation has further implications on the understanding of the type of value that is created in a network.

3.3.3. Notion of value

In contrast to the narrow focus of traditional strategy theories on a purely economic conception of ‘value’, stakeholder theorists have made an effort to broaden the scope and adopt a more complex perspective of what kind of values firms and stakeholders seek when engaging in mutual value creation. The notion of value has therefore received continuous attention in stakeholder theory (e.g., Freeman, Harrison & Wicks 2007; Harrison & Wicks 2013; Sachs & Rühli 2011).

In order to accommodate this aspect, the emerging stakeholder paradigm provides an elaborated idea of value, which equally embraces financial components as it does non-financial components. However, the notion of value cannot be defined in a universal way that accounts for all situations, issues and specific contexts, but has to be mutually defined by and for all involved parties in a value creation process. Accordingly, each and every firm and stakeholder in a given setting is urged to specify what they mean and how they evaluate value in a given context, and thus which components are to be included or excluded from their point of view (e.g., Bowman & Ambrosini 2000; Lepak, Smith & Taylor 2007; Sachs, Groth & Schmitt 2010). In doing so, it is inevitable, on the one side, to engage in a dialogue to reach clarification in this respect and, on the other, to understand the various perceptions of value, so as to recognize the consensus among the involved parties. According to Sachs and Rühli (2010, p. 200), a superior level of value within a particular network is thereby created when its members engage in a continuous pursuit to improve the quality of life of human beings and the sustainability of the natural world. Superior mutual value creation thus presupposes a state in which common ground concerning a specific issue, situation or potential facilitates collaboration and minimizes hindering conflicts including destructive competitive battle.

In this sense, this investigation aims to evaluate, in qualitative sense, the prevalent level of mutual value creation based on the internal view of various stakeholders from the Swiss microfinance investment sector. With regard to mission drift as the issue of interest, the empirical study makes a clear contribution by gauging the mutually accepted definition of the type of value that is being created within the network and along the microfinance value chain. In equal measures to the stakeholder paradigm, the focus is in doing so on financial as well as non-financial value components, inasmuch as microfinance is grounded in a dual value proposition, as elaborated in the previous chapters.

3.3.4. Contributors to mutual value creation

Against the background of the above theoretical derivation, Sachs and Rühli (2011) also offer a more practice-oriented and concrete understanding of mutual value creation based on insights from extensive empirical research. With regard to the benefit and risk potentials that shape the value creation process, they distinguish, as illustrated in Table 3-1, four roles of contributors in a stakeholder network; benefit providers, benefit receivers, risk providers and risk bearers.

Table 3-1: **Roles of contributors to mutual value creation in a network**

		Potentials	
		Benefit	**Risk**
Roles	**Provider**	Participants in value creation that contribute in a variety of ways, from emotional engagement to sharing resources.	Participants in value creation that pose potential threats to interactions in the network or have the ability to even destroy value.
	Receiver/ bearer	Participants in value creation that benefit through gaining or enhancing their resources.	Participants in value creation that take risks by making specific contributions.

(Source: adapted from Sachs and Rühli 2011, p. 60)

These different roles collectively dictate the wealth creating capacity of the network and the involved firms and stakeholders, and determine the way in which value creation takes place. In doing so, these roles more often than not operate and interact in a complex manner, since single contributors can have multiple, sometimes conflicting roles that are likely to change over time and differ according to a specific firm's point of view. Accordingly, the strategic focus of stakeholders must be constituted by their roles as contributors to mutual value creation, which in turn legitimates for appropriate consideration in a network's value distribution process (Sachs & Rühli 2011). In the context of the Swiss microfinance investment stakeholder network, this aspect receives special importance due to the different roles individual members seem to play. It appears that many individuals in the examined network are multifunctional contributors to value creation, insofar as they currently have or formerly had multiple related functions therein.

In conclusion, the review of relevant stakeholder literature has focused on the applied theoretical concepts in this study. In doing so, a thorough understanding has been established of the stakeholder network view, stakeholder perceptions and mutual value creation. More specifically, the issue-centered stakeholder network perspective, the engagement motivation of stakeholders, the principle of mutuality, the related notion of value and the roles of contributors to value creation in an issue-focused network were elaborated in previous sections. In a following subchapter these theoretical components are integrated, with respect to the specific microfinance context, into the conceptual framework that guides the empirical investigation.

3.4. Gaps in stakeholder literature

Three distinct gaps in stakeholder literature deserve closer attention in the context of this study. First, no focused and in-depth research was found that explicitly applied the stakeholder approach and related concepts on microfinance.[30] This seems surprising when considering the numerous auspicious points of attachment between the two disciplines as implicitly pointed out in the course of this literature review. Given that the stakeholder model provides a comprehensive and contemporary understanding of a firm’s role and purpose in society as well as the forces, influences and potentials that impact value creation in an issue-centered network-based stakeholder setting, it embraces a focus on some of the most central aspects of today’s microfinance industry. Therefore, the stakeholder approach lends itself as a most valuable and suitable theoretical lens to investigate this emerging and unique business sector as well as the involved individuals and institutions. By breaking new grounds in this way, the benefit for stakeholder theory from this research effort arises from an extended field of application, future avenues for related scholars and possible suggestions for theory building.

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[30] Exemptions in a broad sense are Hartarska (2005), Hudon (2010) and Mori (2009). All three contributions focus on the identification and effects of stakeholders’ representation on the board of MFIs.

The second relevant gap became evident while examining the pertinent literature on the applied theoretical concepts. Although the emerging stakeholder paradigm suggests that the specific perception of stakeholders shape mutual value creation, little indications were thus far ascertained that illuminate the characteristics of the relation between these theoretical concepts. The resulting vagueness also explains this investigation's explorative nature from a theoretical point of view. As a result, this case study addresses this shortage by establishing an idea of how the relation between stakeholder perceptions and mutual value creation takes shape in the specific context of the Swiss microfinance investment industry.

Finally, even though the network view has strongly influenced recent developments in theoretical stakeholder thinking, notably the emerging stakeholder paradigm, a lack of empirical research on an issue-centered network approach has been recognized in stakeholder theory.[31] By placing a common strategic issue at the center of attention in the Swiss microfinance investment stakeholder network, this investigation thus makes a contribution to bridge this research gap by gaining new insights on the empirical application of this innovative analytical perspective. Finally, the investigation explicitly accommodates in doing so the general request of Sachs and Rühli (2011, p. 173) to explore the differentiated structures of stakeholder networks and their subunits in order to improve the understanding of mutual value creation in a stakeholder network.

3.5. Theoretical delimitations

Generally speaking, this study does not assert the claim to further develop stakeholder theory from a conceptual standpoint in a generic sense. The main objective is to extend and evaluate the theory's application by drawing on selected theoretical concepts deemed most appropriate in this particular context. Based on the study's results, lessons can be learned, with regard to what ways the relevant

[31] One of the few exemptions, which applied an issue-centered network perspective as part of the stakeholder approach, is Sachs, Groth and Schmitt's (2008) case study on the pharmaceutical industry.

concepts and thus the emerging stakeholder paradigm potentially need to be advanced or adapted, and which starting points to depart from in the pursuit of related research objectives.

Furthermore, the investigation presented in this work draws exclusively on the descriptive theoretical foundations of the applied theoretical concepts, since its main purpose is to explore and describe value-based characteristics, perceptions and behavior of stakeholders from the Swiss microfinance investment sector in detail. In doing so, the investigator is fully aware of the fact that a wide array of variables shape these characteristics embodied in perceptions and behavior, and that many may not be considered in this study.

Besides, two theoretical concepts referred to in this literature review demand delimitation. On the one hand, the notion of stakeholders' engagement motivation used in this study needs to be delimited from the broadly similar model of stakeholder engagement. The latter is mainly concerned with how managers can engage stakeholders more effectively into the firm's value creation process and thus increase the quality of stakeholder management in the sense of best practices (see Freeman et al. 2010; Friedman & Miles 2006). In contrast, the angle of the related notion applied in this study differs slightly, inasmuch as the focus is on the particular stakeholders' perceptions of the motivation to engage in value creation. On the other hand, even though organizational identities and capabilities serve as underlying conditions of stakeholder perceptions and mutual value creation, as depicted in Figure 3-1, they are not explicitly addressed in this study. The empirical analysis starts from an extensive case description, which has identified the relevant individuals and institutions, whose group affiliations and organizational identities are consequently taken as given.

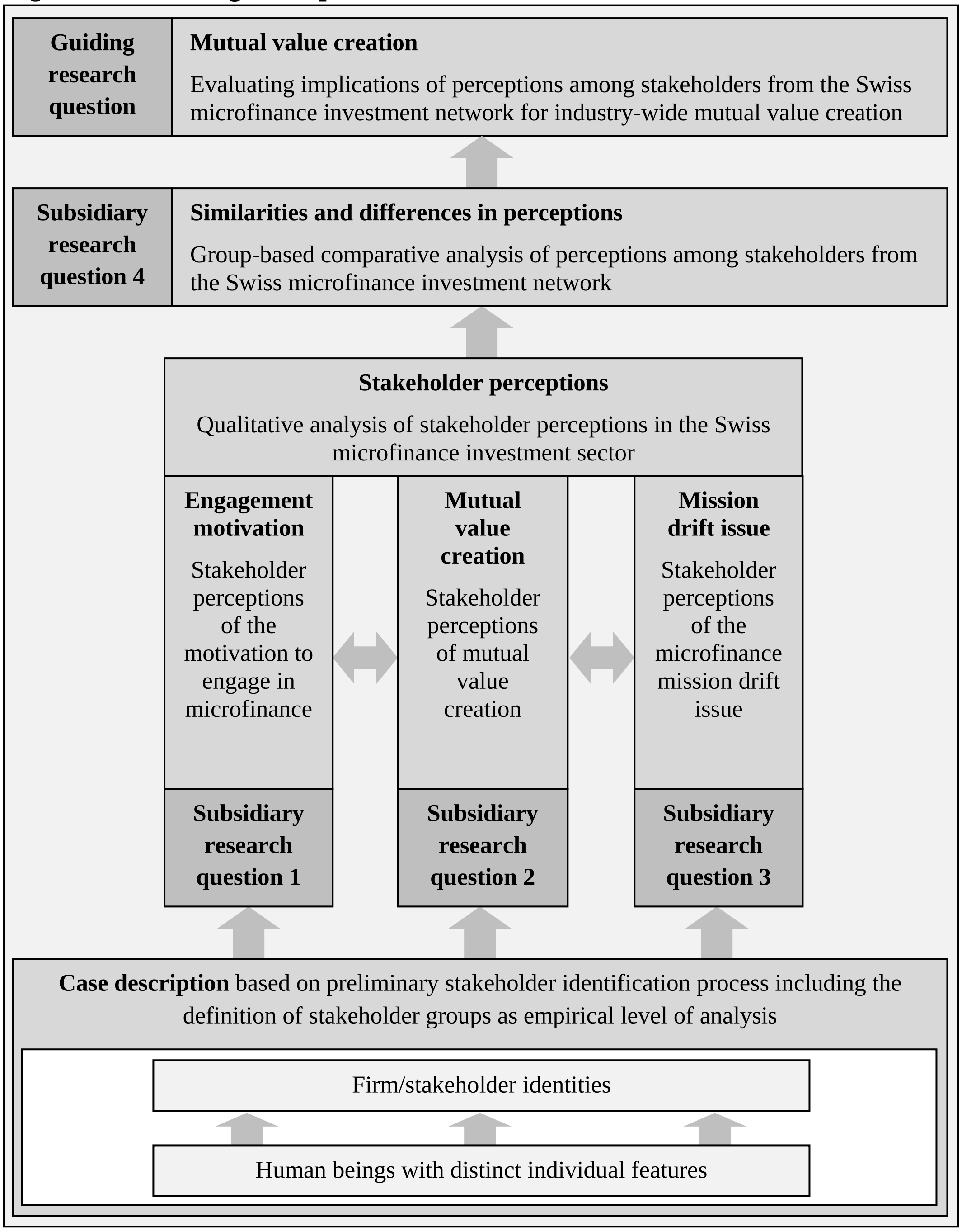
Finally, it is not the meaning of this study to generally question the legitimation of commercial investments in microfinance, nor to bring the purpose and values of involved stakeholders into question. The role of the investigator is to take an objective stance and evaluate as well as report empirical reality, despite the value-laden context, as value-free as possible. On a similar note, the research explicitly leaves aside an instrumental stakeholder approach in the sense of coming up with a hypothetical framework on how to better achieve set corporate goals. Nevertheless, practical stakeholder-oriented implications are offered that might add to sustainable and responsible microfinance investment operations in order to make them more resistant to current challenges and criticism.

3.6. Guiding conceptual framework

Drawing on the relevant concepts of stakeholder theory and microfinance discussed over the course of the last two literature review chapters, a framework has been developed for the purpose of this investigation that illustrates their conceptual ties. As far as the contextual background is concerned, microfinance literature has provided the discipline of commercial investments and the mission drift discussion as the issue to focus on. From a theoretical perspective, the concepts of stakeholder perceptions, stakeholder engagement and mutual value creation as well as the issue-centered stakeholder network view guide this research.

Figure 3-2 not only depicts this conceptual synthesis, but also captures how the guiding research question and the four subsidiary research questions relate to one another and fit into the big picture.

Figure 3-2: **Guiding conceptual framework**



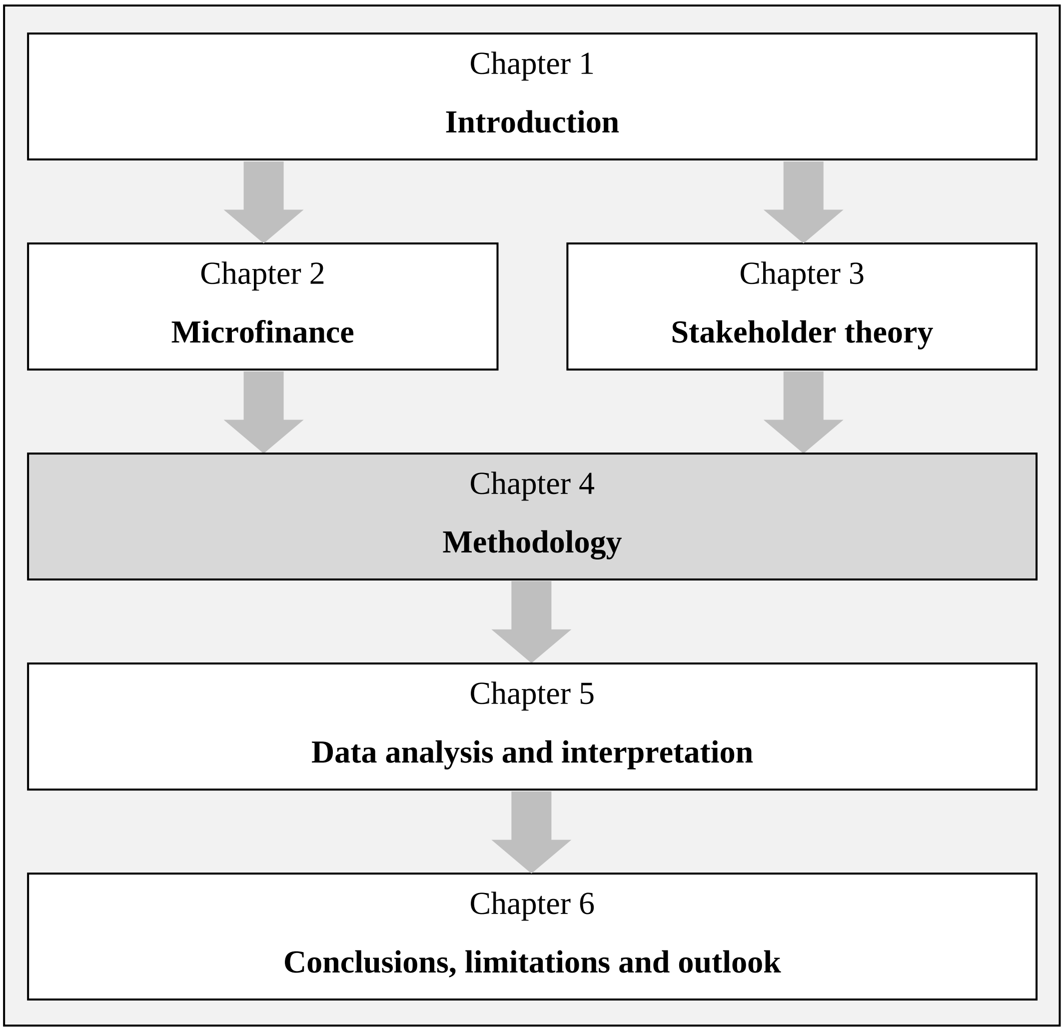
(Source: own figure)

The sequence of research questions closely relates to the empirical course of action taken. Initially, three tentatively predefined stakeholder groups are analyzed with a particular focus on their perceptions of the motivation to engage in microfinance, mutual value creation and the mission drift issue. Group-based perceptions are then compared with each other to identify similarities and differences among stakeholders. By means of these analytic procedures, the guiding research question that asks for the implications of stakeholder perceptions on mutual value creation in an industry-wide context is eventually addressed. After having presented the conceptual framework that guides the empirical investigation reported on in this thesis, concluding remarks on the literature review as a whole are noted.

3.7. Conclusion

The major goal of this literature review has been to demonstrate that the stakeholder approach serves as a most suitable and valuable theoretical framework for the qualitative analysis of stakeholder perceptions in the context of microfinance investment and the mission drift issue. Part of the explanation is that the two dynamic disciplines of stakeholder theory and microfinance essentially share much in common. Above all, they are both concerned with a deeper meaning of business in society than mere economic prosperity measured in financial terms. Consequently, they urge a more complex and advanced understanding of mutual value creation and its impact, which necessitates, among others, consideration to a greater degree of the human or social side of related interactions among individuals and institutions.

By reviewing pertinent literature of stakeholder theory, the current chapter has established the theoretical background of this investigation. In a first step, the chapter at hand introduced the emerging stakeholder paradigm as the guiding framework and outlined the important theoretical foundations of the relevant concepts, subsequently discussed in greater depth. At the center of the chapter stood the elaboration of the stakeholder network view with respect to a common strategic issue and the intertwined concepts of stakeholder perceptions and mutual value creation. In accordance with the first literature review chapter on microfinance, the gaps in stakeholder theory and the theoretical delimitations were pointed out. Finally, the conceptual framework, which synthesizes the components of microfinance and stakeholder theory literatures that give direction to the empirical investigation, has been presented.


Chapter 1
Introduction
Chapter 2
Microfinance
Chapter 3
Stakeholder theory
Chapter 4
Methodology
Chapter 5
Data analysis and interpretation
Chapter 6
Conclusions, limitations and outlook

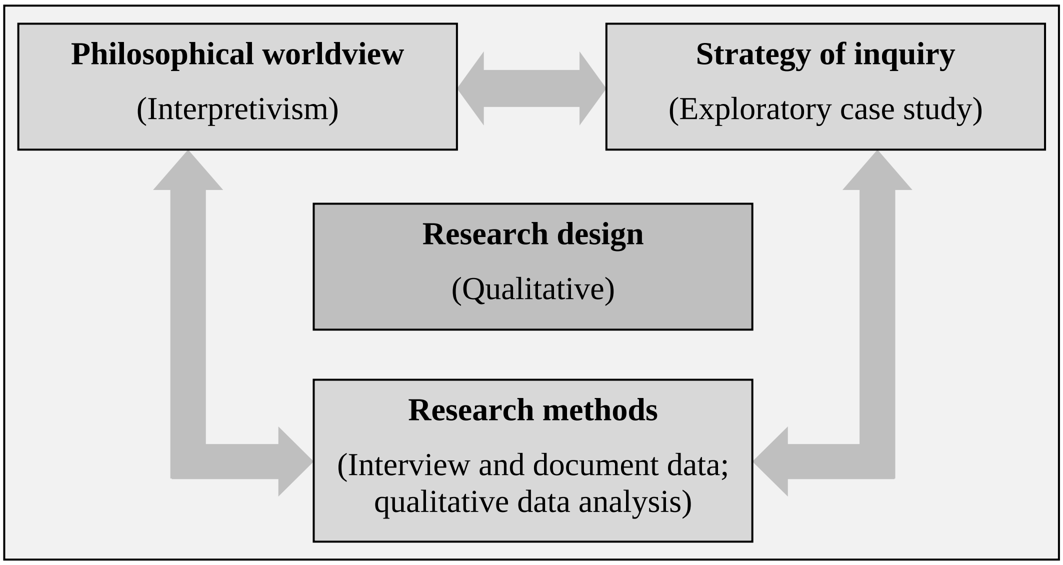
Chapter 4: Methodology

The present study has so far been introduced and relevant literature and existing research of the specific disciplines have been reviewed. Against this background, the formulated guiding and subsidiary research questions have been located within the conceptual framework and along the research process at the end of the previous chapter. Chapter 4 now exposes the basic plan for conducting the empirical study. After introducing the basic model for establishing a research design, the guiding philosophical worldview is outlined as a basis for the justification of the fundamental methodology applied in this study. Then, the research design is presented in detail with reference to the strategy of inquiry and the research methods. After discussing the criteria for case selection, the two proceeding sections inform about the procedures of data collection and analysis. In a final section, the limitations of the applied methodology and ethical considerations are discussed. The chapter eventually ends with a conclusion on the most important methodological aspects of this investigation.

4.1. Introduction

A variety of methodological issues have to be taken into consideration when conducting research. From the very basic choice of the research strategy that builds on the investigator's philosophical orientation to the practical problems and ethical issues that may arise from an empirical investigation, methodological aspects need to be addressed and made transparent. The present chapter is dedicated to doing so and begins, after this brief introduction, with the establishment of an appropriate research design according to the basic model depicted in Figure 4-1. The illustrated framework holds that the research design or the general plan to conduct the research involves the intersection of three important components – the philosophical orientation, the strategy of inquiry and the specific methodological procedures (Creswell 2009). Accordingly, each component of this research design framework is addressed and discussed in detail over the course of this chapter, starting with the philosophical orientation adopted by the investigator.

Figure 4-1: **A framework for the research design**



(Source: adapted from Creswell 2009, p. 5)

4.2. Philosophical orientation

A common way of introducing research methodology is to first discuss the main issues that are at stake by determining the nature of the links between theory, research and reality (e.g., Friese 2012; Nicholls 2009a). Not only whether the conduct of empirical research is intended to test or build theory, but also the investigator's attitude towards conducting research needs be clarified beforehand. Philosophical worldview assumptions are concerned with these issues and have an influence on how the research is undertaken. In the following, a justification is offered as to why the presented study entails both, deductive and inductive logic and is largely based on an interpretivist paradigm.

4.2.1. Deductive and inductive reasoning

As far as the connection between theory and research is concerned, two distinct forms of reasoning or logic commonly allow for producing or testing theory respectively; deduction and induction. Gibbs (2007) argues that induction is the generation and justification of a general explanation based on the accumulation of lots of particular, but similar, circumstances, whereas deductive explanation moves in the opposite direction, in that a particular situation is explained by deduction from a general statement about the circumstances.[32] While the two logics are seen as tendencies rather than clear distinctions, a combination is typical for qualitative studies: "In practice, these approaches are often combined. Some evaluation or research questions may be determined deductively, while others are left sufficiently open to permit inductive analyses based on direct observation" (Patton 2002, p. 56). In this sense, this qualitative investigation also entails both logics at given stages, as explained in the following.

Like most research efforts, the present study is framed by pre-existing ideas and concepts. By means of deduction, the reviewed literature and theory discussed in the previous chapters have given shape to the research questions and the guiding conceptual framework. Accordingly, the research focus has been narrowed to a distinct phenomenon of interest and a specific prevailing issue that requires further examination. At the same time, theory-driven reference points from the emerging stakeholder paradigm serve as a lens for the inquiry. The relevant theoretical concepts determine the focus of where the study intends to contribute real-life content, new insights and potential future avenues. However, no concrete hypotheses are tested in a strict sense of deduction. Given the limited state of knowledge and the current dynamism of the emerging disciplines involved, the formulation of precise and testable hypotheses for applied concepts seems premature and insupportable. Existing research does not offer enough ground to make justified and concrete predictions of what the findings may reveal based on a robust theoretical foundation. Consequently, an essential condition for the appropriateness of testing hypotheses is not met (Punch 2006). Instead, the specific context and theoretical background demand flexibility for diversion and discovery. Therefore, certain space is deliberately left open for considering novel aspects about the phenomenon throughout the empirical investigation in the sense of induction. Inferring the implications of the study's findings ultimately back to theory as well as practice in the form of impulses for action and theory building again involves inductive logic.

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[32] For a comprehensive discussion of deductive and inductive reasoning see Bryman and Bell (2007) or Nicholls (2009a).

4.2.2. Epistemological and ontological considerations

With regard to the relationship between theory and reality, researchers are required to be clear about the epistemological and ontological foundations of their efforts. In a broad sense, epistemology explains the relationship between the researcher and reality, while ontology refers to the nature of that reality and the meanings people ascribe to social phenomena.[33] For both orientations, two ends on a continuum stand out that manifest themselves in different scientific paradigms (see Bryman & Bell 2007; Creswell 2009).[34] In simplified terms, a paradigm can be defined as a "basic belief system or worldview that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways" (Guba & Lincoln 1994, p. 105).

From an epistemological perspective, the position known as positivism affirms the importance of studying the social world according to the same principles and methods applied by natural sciences. The role of research is to collect empirical data of an observable, measurable and at last quantifiable social reality. On the basis of these 'facts', testable hypotheses can be deduced that allow explanations of laws and in this way facilitate theory or knowledge building. The researcher's stand is thereby detached from and not influenced by the studied social phenomenon in order to warrant an unbiased and value free conduct of science. In that regard, positivism largely coincides with the ontological position of objectivism. The doctrine of objectivism is that social phenomena are external entities, beyond the reach or influence of social actors (Bryman & Bell 2007).

In contrast, interpretivism subsumes epistemological views that share the belief of social entities as fundamentally different subject matters than the ones studied in natural sciences. Studying and seeking to understand the social world thus

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[33] For a thorough recapitulation of epistemology and ontology see Bryman and Bell (2007) or Burrell and Morgan (1979).

[34] For the sake of brevity, the contrasting paradigms of epistemology and ontology are briefly discussed in the following while being well aware of the fact that a more differentiated view could be given by including additional paradigms along these continuums. However, it is believed that this serves the main purpose of this section, which is to position the present research within a broader philosophical context rather than unfurling a debate on paradigms.

requires a different logic of research procedure, one that reflects the distinctiveness of humans and the meanings they attach to social phenomena. A researcher is thereby required to grasp the subjective meaning of social action (Bryman & Bell 2007). Therefore, interpretivism on its part is often combined with a subjective ontological position or constructionism. Social constructionism implies that social phenomena and their meanings are produced through the interactions of social actors and are in a constant state of revision and adaption (Bryman & Bell 2007). Table 4-1 summarizes these dualisms by tendency whilst also indicating their preferences in research designs, discussed in an upcoming section.

Table 4-1: **Tendencies of paradigm associations**

Tendencies of paradigm associations		
Reasoning theory and research	Deductive	Inductive
Epistemological orientation	Positivism	Interpretivism
Ontological orientation	Objectivism	Constructionism
Methodology	Quantitative	Qualitative

(Source: Bryman and Bell 2007, p. 28)

The choice of a certain worldview predominantly depends upon the question of what paradigm fits the research objectives best. Consequently, this study follows an interpretative approach, like many of the recent studies in the particular domain of stakeholder theory (e.g., Kern 2009; Perrin 2010; Schmitt 2006). Analyzing perceptions of a subset of individuals with respect to their specific surrounding, institutional background and distinct human features in order to understand the motivational grounds for their actions aligns best with the philosophical assumptions of interpretivism. Assuming that meanings find expression in perceptions, the research holds that stakeholders as human beings construct their subjective meanings of microfinance and associated investments based on learning and experience. For example, appreciating interactions with other stakeholders of the microfinance industry or making sense of recent events lead to constant adjustment in meanings. Each stakeholder's subjective and dynamic view in turn adds to the shaping of the social phenomenon of microfinance investment and the mission drift issue. The discussion of the various views on the sector's commercialization and microfinance in general based on existing literature in Chapter 2, Microfinance, strikingly illustrated the ambiguity and dynamism of these meanings. In order to shed light on the research problem, it is therefore crucial to understand the various individual perceptions of the specific subset of individuals in all their complexity and examine the stakeholder-oriented question of whether group-based patterns of individual meanings are recognizable.

In conclusion, the philosophical orientation espoused by a researcher explains to a great extent the choice of the research strategy (e.g., Bryman & Bell 2007; Creswell 2009; Perry 2002). The above discussion has shown that deductive and inductive reasoning as well as the contrasting paradigms share much in common with quantitative and qualitative methods, respectively. In the following, qualitative research as the general orientation to the conduct of this research is justified, departing from these commonalities.

4.3. Justification for applied methodology

Methodology is inevitably interwoven with and emerges from the nature of the particular disciplines and the underlying philosophical assumptions the researcher brings to the study (Lincoln, Lynham & Guba 2011). In concrete terms, quantitative research is predominantly associated with positivist assumptions, whereas qualitative research is typically in line with interpretivism and constructivist knowledge claims (see Bryman & Bell 2007; Creswell 2009). Thus, the present study inherently adheres to qualitative research judged by the adapted worldview. However, in equal measure to the borders and boundary lines of the different worldviews (see Lincoln, Lynham & Guba 2011), the distinction between quantitative and qualitative research has began to blur and is rather to be seen as a continuum in which studies "…*tend* to be more qualitative than quantitative or vice versa" (Creswell 2009, p. 3). In this sense, it has become inevitable to specify the appropriate methodology and underpin its selection on a wider and more concrete justificatory basis.

Two main conditions that relate to a certain extent to the above described interpretivist assumptions strengthen the preference of a qualitative approach. First, judging by the nature of the research question, regarded as the foremost important criteria for selecting the methodology and research methods (Creswell 2009; Yin 2009), qualitative research is the most appropriate means to produce answers in the specific context. In general, little research has been done on the studied phenomenon as well as the applied theoretical concepts and hence relatively little is known about them. Both, microfinance investments as an emerging and fast-growing niche market as well as the specific concepts of the stakeholder paradigm, in which variables may broadly be known but their interactions are still unclear, necessitate exploration. This investigation therefore explores, in the sense of qualitative research, unexpected as well as expected patterns in a situation where individual views are important for their understanding (Stake 1995).

The second relevant condition is associated with the population. Whereas quantitative methods usually depend on large random samples, the limited number of respondents in this case favors the use of a qualitative approach (Patton 2002). Given the specific context of the Swiss microfinance investment stakeholder network, the population in this study is confined to a rather small number of individuals and institutions that potentially qualify for single observations, as discussed in more detail in an upcoming paragraph. On the one hand, this necessitates including as many views as possible given data access limitations and, on the other hand, considering every unit of analysis individually and in great detail so as to account for the specifics of the particular context. Beyond these two central conditions, additional criteria such as the researcher's own training and experience as well as the setting and the audience for which this study is being conducted support qualitative methods and especially suggest a case study research design as argued in the upcoming section.

4.4. Research design

After declaring qualitative research to be the basic approach pursued, more specific considerations have to be directed towards the components of the research design, before embarking on the clarification of the actual research methods. While, on the face of it, the two terms would seem to mean the same, a research design, in fact, provides a framework or structure that guides the execution of research methods, employed for the actual collection and analysis of data. In a broader sense, the research design represents a logical plan on how the empirical data is related to the study's research questions, theoretical concepts and units of analysis while at the same time adhering to a set of criteria that conform to scientific rigor (Bryman & Bell 2007; Creswell 2009). This section informs in detail about the case study design as the most suitable strategy of inquiry for this study. It also details the corresponding criteria for case selection and the units of analysis.

4.4.1. Case study research

Because most qualitative studies seek to construct representation of human experience based on in-depth, detailed knowledge, case studies represent an increasingly common research design that is widely used in social science disciplines (e.g., Gerring 2007; Neuman 2005; Yin, 2009). So, what are case studies concerned with and why is it a preferential design in this research context?

Definition. The term 'case study' by itself, as well as related key terms, are in the words of Gerring (2007, p. 17) "definitional morass", since confusion dominates already on a broad level. Whereas some methodologists refer to case studies as a research design (e.g., Bryman & Bell 2007; Creswell 2009), others refer to it as a research method (e.g., Yin 2009). For this research effort, case studies are considered to be both a research design and a research method in the broad sense. Research methods in the narrow sense then are data collection and analysis procedures such as observations, interviews, surveys or content analysis that can or cannot be part of case studies.

At its most minimal, Gerring (2007, p. 37) defines case study research as "…an intensive study of a single unit or a small number of units, for the purpose of understanding a larger class of similar units." Every attribute beyond that is, according to the author, not definitional and depends on methodological affinities.

In addition, Yin (2009) defines case studies along several technical characteristics. A case study is accordingly an empirical inquiry that:

- investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.
- copes with the technically distinctive situation in which there will be many more variables of interest than data points.
- relies on multiple sources of evidence, with data needing to converge in a triangulating fashion.
- benefits from the prior development of theoretical propositions to guide data collection and analysis (Yin 2009, p. 18).

In essence, this definition indicates that case study research comprises an all-encompassing method or a research method in the broad sense, including the logic of design, data collection techniques and data analysis procedures. However, two aspects of Yin's (2009) definition deserve critical reflection. First, the notion of unclear boundaries between phenomenon and context appears somewhat paradoxical in designing case studies. Although, in the beginning, the boundaries between the phenomenon and context may indeed appear unclear, it becomes increasingly vital, as the case study design crystallizes, to recognize these boundaries and delimit the phenomenon or the 'case(s)' from its context. Only this way can case study research exploit its full potential, as will become clear in the upcoming section on criteria for case selection (Gibbert 2011). Second, for exploratory case studies the statement 'more variables of interest than data points' can be misleading. Thinking concretely of the data analysis phase in which an investigator matches data points and predefined variables of interest, the purpose of exploration is, in fact, to discover new data points in a distinct situation that lead to new variables. Therefore, it may establish clarity to look at case studies as an empirical inquiry of situations in which there are more data points than variables of interest rather than vice versa (Gibbert 2011).

Rationales for case study design. Given the definition of case studies, the key rationales for adopting the design are again the nature of the research question and the research goal. Case studies are especially suitable for learning more about little known or poorly understood complex social phenomena. That is why, by definition, case studies investigate the phenomenon of interest in-depth and in all its complexity. In concrete terms, case research is an adequate method if 'how', 'why' or exploratory 'what' questions are being posed, the focus is on contemporary events and the investigator has no control over behavioral events (Yin 2009). All three conditions are fulfilled here. First, this study investigates *how* stakeholders perceive relevant aspects in order to explore *what* the implications of similarities and differences of these perceptions on mutual value creation are. Second, the observed individuals and institutions are part of a real-life business network that is influenced by contemporary events over which, thirdly, the researcher has no control and within which the relevant behaviors cannot be manipulated like in an experiment. Consequently, the conduct of a qualitative case study with the goal of developing new avenues for further inquiry has distinct advantages and is an adequate strategy of inquiry in the specific context.

In further support of case study research, most empirical efforts in the field of stakeholder theory, and particularly the ones that also draw on a stakeholder-oriented framework, use similar research designs (e.g., Kern 2009; Nicolodi 2007; Perrin 2010; Post, Preston & Sachs 2002; Schmitt 2006). That is because case studies are particularly advantageous for analyzing stakeholder-oriented phenomena that are complex in nature, involve human beings, are concerned with contemporary questions and often leave not much control over events to the investigator (Yin 2009), which holds also true for the present investigation. The popularity of case study research not only does, in turn, open up potential for theoretical comparison across different case studies, but it also increases acceptance amongst the target audience. Last but not least, conducting a case study builds on the researcher's own research experiences and training in the practice of the selected research design.

Case study type. Prior to any data collection, the primary decisions that have to be made are concerned with the type and specific design of case study that should be applied. On a first level of distinction, different purposes generally emerge from the application of case studies. To counter the persistent belief in social sciences that "…case studies are only appropriate for the exploratory phase of an investigation, that surveys or histories are appropriate for the descriptive phase, and that experiments are the only way of doing explanatory or causal inquires", Yin (2009, p. 6) proposes a more inclusive and pluralistic view of any research design. However, even though case studies are thus entitled and have proven to be valuable for explanatory inquiries, their inherent suitability still refers to exploratory and descriptive research purposes, that is, for example, "…in the critical, early phases of a new management theory, when key variables and their relationships are being explored" (Eisenhardt 1989, p. 532). With reference to its particular purpose, it is therefore asserted that this study adopts an exploratory approach to case study research. As mentioned before, microfinance investments and the corresponding stakeholder network are a recent occurrence that has barely been examined yet, especially not from a qualitative perspective. Also the theoretical concepts applied display complex characteristics that first need to be explored (Creswell 2009; Eisenhardt 1989; Yin 2009).

Specific case study design. On a second level of distinction, Yin (2009) advances a twofold segmentation of case studies resulting in four distinct types of designs as illustrated in Figure 4-2. Case studies are therein classified according to variations in numbers of cases on the horizontal axis and according to the numbers of units of analysis on the vertical axis. The resulting types of study designs are holistic single-case (Type 1), embedded single-case (Type 2), holistic multiple-case (Type 3) and embedded multiple-case (Type 4). What they all have in common is the interest for contextual conditions in relation to the 'case', since the boundaries between the case and the context are often fuzzy.

Figure 4-2: **Types of case study designs**

	Single-case designs	**Multiple-case designs**
Holistic	Type 1	Type 3
Embedded	Type 2	Type 4

(Source: adapted from Yin 2009, p. 46)

To keep the choice of a case study design in perspective, only two of the four types are considered to be potentially feasible in the present research setting with the prevailing resources available. Type 1, which focuses on a single unit within a single case is generally not recommended as it inherently lacks ground for comparison; an important rationale of case research as elaborated in an upcoming paragraph. Analyzing several units of interest across several cases in the sense of Type 4 would considerably challenge the conduct of high-quality research with regard to the limitations. Such a design requires extensive resources and time beyond the means of the present research setting with a single investigator (Yin 2009). At last, the line between the two practically possible designs – multiple units of analysis within a single case (Type 2) and a single analytical unit across multiple cases (Type 3) - is very thin and largely depends upon the question of how many units and levels of analysis can be summarized under the same header. Normally, the more variables can be controlled, the more appropriate an embedded single-case study is (Gibbert 2011).

Based on the above considerations, this research conducts an embedded single-case study (Type 2) for the following reasons. The rationale for selecting a single-case instead of multiple-case design lies in the nature of the single case that is either critical, extreme, unique, representative, typical, revelatory or longitudinal (Yin 2009). Above all, this study is regarded as a unique case, which attempts to determine whether an established theory withstands the application in a singular research context or to what extent alternative aspects and explanations have to be brought into focus. Drawing on specific concepts of stakeholder theory that relate to each other in certain, yet not very clear ways, the study seeks to either support, challenge or extend the underlying theoretical concepts and generate corresponding propositions for further, more concrete research. For this purpose, the emerging phenomenon of microfinance investments with its distinct characteristics of the underlying social business and a limited, if not to say nonexistent, body of knowledge from previous social science inquiry provides a suitable and highly interesting context. Additionally, the analytical perspective of the stakeholder network view has considerably influenced the choice of apprehending the Swiss microfinance investment sector as a single case with several subunits of interest that need to be taken into account.

Finally, a single-case study can be called embedded when, within the single case, attention is given to one or more subunits. In other words, an embedded single-case study involves more than one unit of analysis, mostly on different levels (Yin 2009). Within-case distinction regarding different stakeholders as individuals, institutions and groups of stakeholders deserves special attention in the present investigation as the next sections concerned with the criteria for case selection and the unit of analysis show.

4.4.2. Criteria for case selection

Any qualitative research design requires the definition of the unit(s) of analysis and decisions about the sampling method as well as the sample size. In case research in particular though, one of the main threats to sound execution is defining what the 'case' is. The actual case significant for the research questions has to be carefully selected and the boundaries explicitly defined in order to facilitate theory building (Eisenhardt 1989). In doing so, comparison across multiple cases within a single study or across several cases of different studies is intended (Perry 2002; Yin 2009). Building on the arguments for the choice of a single-case study design, it is now clarified how the case has to be understood in this investigation.

According to Gerring (2007), the term ‘case’ connotes a spatially delimited unit observed at a single point in time or over some period of time. It comprises the type of phenomenon that an inference attempts to explain: “…each case may provide a single observation or multiple (within-case) observations” (Gerring 2007, p. 19). Typically in social science research, the case is a social or political unit such as nation-states, regions, villages, communities, families or a specific institution like political parties, interest groups or businesses. In this study the case is a distinct stakeholder network, namely the Swiss microfinance investment sector. Thus, a first criterion to delimit the case is geographical proximity, while a second condition is affiliation with the microfinance industry; each individual or institution is placed within the country borders of Switzerland and is involved in or can directly be related to microfinance investment activities. A final criterion is the issue focus that defines the actors of the particular setting as stakeholders of an issue-centered network. As a result, the present case has definite spatial boundaries and comprises the primary objects of inference which are the individual stakeholders as part of predefined stakeholder groups. The main advantage of such a predominantly geographical delimitation is that it minimizes sample variation due to environmental factors such as the sociopolitical and cultural context, the business climate or the regulatory framework in which these actors operate.

Concerning temporal boundaries, the case is not delimited in a strict sense, but nonetheless entails two time elements. On the one hand, the emergence of the microfinance sector with particular focus on the evolving mission has previously been recorded based on an extensive literature review. The traditional view of microfinance is being reflected against this study’s findings, which allows for comparing the topic of interest at different points in time to a certain extent. However, other than that, this research is not longitudinal in nature and involves data collection at a single point in time. Reasons for doing so mainly include resource restrictions, the time frame within which this study is being conducted and the current dynamism of involved disciplines, which is kept as controlled as possible this way.

Purposive case selection. In contrast to quantitative large-sample studies that rely on randomization to select a sample that is representative of the population, qualitative case research applies purposive or nonrandom selection procedures. However, also in qualitative research, the reasons for the choice of a case to be studied intensively rest, at least implicitly, upon an analysis of a larger population of potential cases. The selection criteria are thereby based on the way in which the case is situated within that population (Eisenhardt 1989, Gerring 2007).

As indicated in Chapter 2, Microfinance, Switzerland is assumed to be representative for western countries in terms of microfinance investments to a large extent.[35] Based on the understanding acquired by means of an extensive literature review on the phenomenon of microfinance investment and the mission drift issue, this basic assumption holds that the studied stakeholder network exemplifies for the most part a typical set of values. As one of the worldwide leaders in this area, the case of the Swiss microfinance investment stakeholder network is deemed to emphasize the unique features of this particular context. Consequently, the case has been chosen based upon descriptive characteristics such as the concentration of individuals involved in microfinance activities and the relatively large volume of microfinance assets managed by Swiss institutions. After all, data access considerations and resource constraints are further decisive factors for narrowing down the case to how it is defined here.

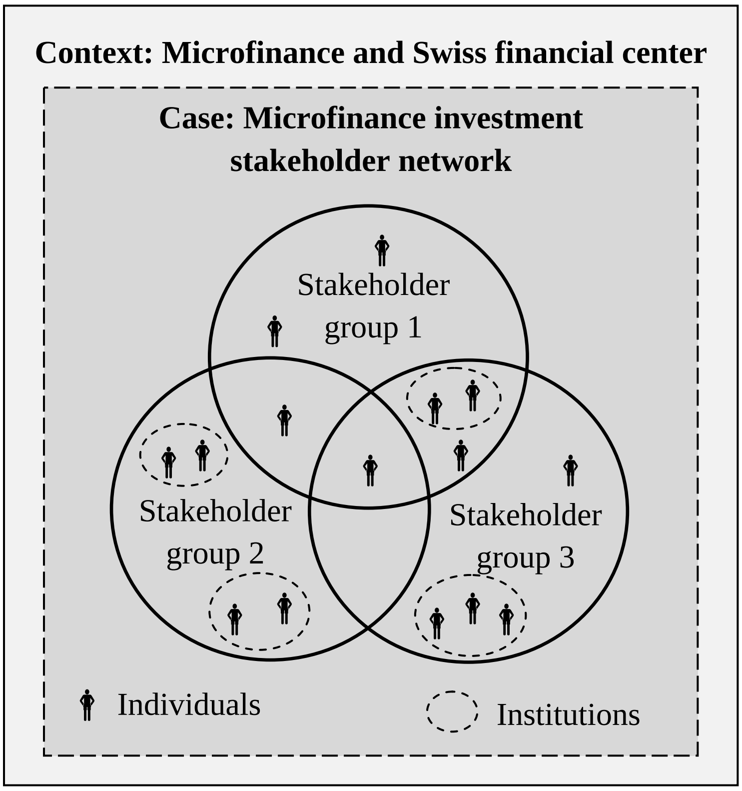
What also needs to be taken into account in the process of case selection is the issue of cross-case comparison. In both domains, the contextual background discussed in Chapter 2, Microfinance, and the theoretical foundation presented in Chapter 3, Stakeholder theory, the state of scientific knowledge provide only limited ground for cross-case analysis. Although, the literature review did not unveil any similar case studies in a strict sense, this study's findings are nonetheless reflected against existing insights on single variables in Chapter 6,

[35] According to Gerring (2007, p. 96), the issue of representativeness can never be definitely settled in a case study format and typicality therefore exclusively holds that the probability of a case's representativeness is high, relative to other cases, which also applies to the present case.

Conclusions, limitations and outlook. In this respect, the present study is first and foremost seen as an early attempt at case research on the particular phenomenon that aims to establish a preliminary basis for comparison with future cases. Finally, details on within-case sampling procedures are addressed in the upcoming section on data collection techniques. Now that the general definition of the case has been established, further clarifications of the unit of analysis take center stage.

Units of analysis. Before discussing the techniques of data collection and analysis, clear definitions of the units and the level of analysis within the introduced single case study remain. Previous microfinance or stakeholder research was not much of a guide in that regard, insofar as the particular type of setting and specific context has hardly received any empirical attention so far. Nevertheless, drawing on analytical references from the issue-centered stakeholder network view and the above made methodological considerations has allowed for developing a hierarchy of relevant units and subunits, depicted exemplarily and with notional numbers of stakeholders in Figure 4-3. In addition, the extensive case description in Chapter 2, Microfinance, has not only equipped the reader with a comprehensive and practice-oriented understanding of the actual case, but has also substantially assisted the investigator in defining it.

Figure 4-3: **Units and levels of analysis in this case study**



(Source: own figure referring to Yin 2009, p. 50)

Embedded in the country-specific context characterized by the Swiss financial center and the microfinance sector as a whole, the microfinance investment stakeholder network represents the main unit of analysis of this study, within which several levels and subunits deserve closer attention. First, the stakeholder group is the level of analysis on which outcomes of interest are expected with regard to the subsidiary research questions. Accordingly, three previously identified stakeholder groups form suitable group-based units of analysis; microfinance asset managers, microfinance investors and their wealth advisers as well as microfinance experts including academics, government officials and other professionals. In this sense, the stakeholder groups are constituted by single members of the particular network, whereby involved individuals and institutions may qualify for one or more group affiliations, depending on their roles and functions. In doing so, individual respondents finally represent the source from which data is acquired. However, as Yin (2009) recommends, these definitions of the case and its subunits had not been permanently defined at the outset of the study and were rather subject to revision as a consequence of discoveries during the course of the empirical research.

4.5. Data collection

Qualitative case research determines to a certain degree the data collection techniques and the procedures of data analysis (Yin 2009). Referring back to philosophical orientation, interpretivism is considerably influenced by hermeneutics, known as the interpretation of human action and individual sense making. In order to collect data that permits hermeneutical analysis, some techniques are more suitable than others. However, the idea of a technique or an instrument to collect qualitative data in a case study is twofold. On the one hand, the researcher is seen as the primary instrument for data collection and analysis as the data is mediated through humans, rather than through other instruments (Creswell 2009). In this regard, qualitative research is generally non-interventionist (Punch 2006), which also applies to the data collection in this study. On the other hand, there are several methods that assist the investigator in collecting qualitative data, including interviews, observations and the analysis of documents and audio-visual material (Creswell 2009; Nicholls 2009a; Yin 2009).

By triangulating several data collection methods, case studies typically rely on multiple sources of empirical evidence in order to provide stronger substantiation of constructs and hypotheses (Eisenhardt 1989). Accordingly, the present investigation has built upon interviews with members of the Swiss microfinance investment stakeholder network as well as the analysis of documents[36] that were either publicly available or granted access to by respondents. Before discussing these methods in more detail, the strategy for within-case sampling is first addressed and critically discussed.

[36] For the sake of convenience, the term ‘documents’ not only refers to text documents in the following, but also includes audio-visual material (i.e., a broadcasted TV report and a video interview). For a complete and detailed list of the relevant secondary data sources see Appendix A.4.

4.5.1. Within-case sampling

Having a clear understanding of the population in a case study is essential. On the one side, the careful selection of an appropriate population reduces extraneous variation and helps to clarify the limits for generalizing the findings. On the other, the population defines the set of entities from which the research sample is to be drawn (Eisenhardt 1989). However, as mentioned earlier, qualitative researchers are not looking for a sample that represents the background population in a statistical sense, but for one that provides adequate insight into people's experience of that population (Nicholls 2009b). Therefore, Miles and Huberman (1994, p. 27) argue that samples qualitative researchers work with tend to be:

- small in number,
- purposive rather than random,
- consisting of people that are nested in their context and studied in-depth,
- not wholly pre-specified, but can evolve once the fieldwork begins and
- decidedly theory-driven, either 'up-front' or progressively.

This research effort acknowledged and adhered to these characteristics in the process of qualitative within-case sampling. Similarly to the selection of the actual case, the within-case sampling of single data sources was deliberately purposeful, inasmuch as those respondents and documents that yielded the richest information about the phenomenon under investigation were considered. In concrete words, the rationale for choosing the sample has been a stratified and purposeful sampling in combination with a snowball approach (see Nicholls 2009b; Punch 2006; Sproull 1995).

Although the investigated stakeholder network has grown enormously over the last few years, the population in this study was still of manageable size and confined to no more than a handful of organizations and a relatively small circle of professionals. Unfortunately, no exact statistics were found that could underpin the actual size of the specific population. However, the Microfinance Banana Skins report series may serve as an indication for an adequate sample size. In four consecutive surveys, in which an international sample of practitioners, investors, regulators and observers of the microfinance sector assessed the risks facing the global microfinance industry, nine professionals from Switzerland were interviewed on average, as illustrated in Table 4-2. Switzerland as an investor setting has thereby averaged at rank four in terms of the number of respondents from Western European countries, indicating its weight in an European context (see CSFI 2008; 2009; 2011; 2012). Therefore, data from over 25 respondents out of about a dozen institutions for this country-specific case study appeared to be an adequate and sufficient sample for achieving qualitative data saturation.

Table 4-2: **Sample size of top-8 Western European countries in Microfinance Banana Skins surveys 2008-2012**

	2008	**2009**	**2011**	**2012**
Belgium	2	5	4	4
France	9	15	16	10
Germany	7	6	10	6
Italy	2	2	3	3
Luxembourg	3	3	4	3
Netherlands	10	16	21	7
Switzerland	8	13	7	8
UK	11	37	17	34

(Source: CSFI 2008, 2009, 2011, 2012)

In a preliminary step to identifying interview partners, existing practice-oriented documents have been screened and acquainted professionals were asked for potential names. Once individuals qualified for being part of the actual case, another criterion for the selection was their appointment in a managerial position. In management research, executives are considered suitable data sources for the fact that they often possess extensive knowledge based on several years of experience in the particular field or institution and thus have a broad and balanced view thereof (Eisenhardt 1989). Initial interviewees were then asked for further sources of evidence and potential interview partners that add depth and richness to the explanations. Such a sampling rationale fits well with the theoretical background of this study and has found wide acceptance in the particular discipline (e.g., Nicolodi 2007; Schmitt 2006). However, the applied sampling method has also distinct limitations and is prone to biases that may threaten a rigorous conduct of research.

A snowball sampling of interviewees potentially contributes to a narrow selection of well-networked individuals or institutions and disregards the ones at the edge of the network. On a related note, it may also sample out the individuals and institutions that are more likely to share a similar view and opinion about the issue of interest and mutual value creation. Another danger of such a sampling technique is the social desirability bias in interviewees' statements. If interviewed individuals are aware of the process and the influence of others on their nomination, their response to critical questions may be guided by what is commonly accepted in the specific network and not what they really believe (see Bryman & Bell 2007; Nicholls 2009b; Patton 2002). The investigator of this inquiry is aware of these potential threats and biases and has taken measures as part of the interview technique, as described in an upcoming paragraph, to control them as much as possible.

In parallel, a stakeholder-oriented identification process at the outset of the empirical investigation uncovered three rudimentary stakeholder groups, described in detail in Chapter 2, Microfinance. With respect to their professional background, single respondents were subsequently allocated to one or more categories in order to ensure a relatively homogeneously distributed and inclusive sample selection. Ideally, theoretical saturation marks the point at which investigators stop adding cases or data sources, because they no longer come across new insights and incremental learning is marginal (Eisenhardt 1989). In the context of this case study, the state of saturation has been reached with the conduct of 15 primary interviews and the analysis of 16 secondary interviews and 57 documents as listed in Appendix A.3 and A.4. Given that great willingness of individuals and institutions was generally shown to participate in this study, the effective quantity of used data sources largely conforms to the one originally intended.

4.5.2. Semi-structured interviews

Although the present study combines multiple data collection methods, the emphasis is clearly on qualitative interviews.[37] In fact, semi-structured face-to-face interviews were employed as a primary data source. Semi-structured interviews are guided conversations that revolve around a few central and generally open-ended questions that are intended to elicit views and opinions from respondents (Creswell 2009; Yin 2009). The major strength of a less structured type of interviewing is the chance to follow up on themes that arise out of the dialogue and require further deepening.[38]

With regard to the Swiss microfinance investment stakeholder network and the mission drift issue at the center of attention, the personal interview was deemed most suitable to inquire and record the perceptions of stakeholders because of the explorative character of the investigation, the value-based nature of the relevant issue, the limited circle of potential respondents and the distinct advantages of semi-structured interviews as a method of inquiry. A necessary precondition that further confirmed the choice of qualitative interviews as a data collection type was the researcher's training and experience with the particular method.

Except for one interview, which was held in a public location, all primary interviews in this study were conducted at the interviewees' workplace by the author as a single investigator. In order to let interview partners speak as freely as possible about their perceptions, the entire set of interviews was conducted in German as the local language in Switzerland. This also explains why the original interview documents, attached in Appendix A.1 and A.2, are in German. Regarding the processing of interview data, primary interviews were coded in the

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37 A survey approach had also been taken into consideration as an alternative or combined data collection method alongside the expert interviews. This option, however, has been rejected due to the characteristics of the population under study, insofar as the additional increase of insights that would have emerged from this procedure was thought to be limited. Interview partners already represented a considerable proportion of the assumed population in this context and an interview approach was thus considered adequate to reach theoretical saturation.

38 For a comprehensive discussion of different types of interviews including more information on semi-structured interviews see Atteslander (2010) or Diekmann (2006).

original language and the most meaningful and suitable quotations to underpin the empirical results were then translated into English by the investigator.

Prior to data collection procedures, an interview guide had been prepared in a systematic and deductive manner in order to ensure that it reflects the full content of the research questions. Insights from the three pilot interviews, discussed in an upcoming section, indicated a potential for revision and refinement of single interview questions. Finally, the interview guide at hand consisted of about a dozen main questions split into four categories. While the majority of questions were raised in every interview, some were more group-specific and have thus been prompted occasionally, depending on the single respondent's background. The final and original version of the interview guide applied in this study is attached in Appendix A.1.

4.5.3. Data triangulation

Regardless of whether an investigator uses interviews or other procedures to collect data, Yin (2009, p. 98) proposes three overriding data collection principles that are important in any case research. In order to substantially increase the quality of a study, he advises to apply:

1) multiple sources of evidence,
2) a case study database and
3) a chain of evidence.

In general, these three principles help to address the issues concerned with construct validity and the reliability of case study evidence (Yin 2009). While the first principle conforms to data triangulation and is addressed in the paragraphs hereafter, the approach that has been taken to establish a database and a chain of evidence in this study is discussed in the following section.

As interviews are verbal reports, they are subject to common problems of bias, poor recall or inaccurate articulation. Therefore, a reasonable approach is to corroborate interview data with information from other sources (Yin 2009). The applied research design suits this purpose in particular, since "…a major strength of case study data collection is the opportunity to use many different sources of evidence", in fact "…the need to use multiple sources of evidence far exceeds that in other research methods" (Yin 2009, p. 114/115). In this sense, complementary evidence has been collected through the analysis of documents and audio-visual material. Documents as an additional data source facilitate the recording of contextual conditions around the case, including information about the physical environment and any historical, economic and social factors that have a bearing on the case (Leedy & Ormrod 2010). After all, data triangulation or the use of multiple sources of evidence has distinct advantages (Yin 2009). In essence, "…the different sources can be regarded as pieces of a puzzle which all contribute and complete the overall picture" (Kern 2007, p. 119). Consequently, the most important advantage of using documents as an additional source of evidence is to develop a converging line of inquiry, corroborate and augment the findings from qualitative interviews and hence increase the validity of the case study (Yin 2009).

Only documents containing the most pertinent information on the case were considered. Selective searches for publicly available documents prior to the empirical investigation yielded a major part thereof, while some further documents were added over the course of the data collection. For their selection as secondary data material, documents were required to fulfill all of the following criteria; relation to microfinance investments, containing references to Switzerland or Swiss stakeholders and published within the last decade. Every document was then critically reflected with special regard to reporting bias[39], incompleteness and authenticity before it qualified as a single data point within the complementary set of evidence. Nevertheless, neither an unbiased nor a complete collection of relevant documents can be guaranteed in this regard. Finally, while being well aware of the implications on the research quality, triangulation among different investigators could not be achieved in this study.

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[39] A reporting bias commonly exists if an author's provision of information is subjective (Yin 2009, p. 102).

4.5.4. Case study database and research diary

The frequent overlap of data analysis and data collection in case study research highlights the need for accurate organization and structured documentation of the empirical data collected (Eisenhardt 1989). Creating a formal case study database is an appropriate way to address this necessity and markedly increases the reliability of a case study as other investigators are able to potentially review the evidence directly from the database without being limited to the written case study report (Yin 2009).

Two computer programs mainly assumed the function of a database in this study; ATLAS.ti and EndNote X5. As qualitative data analysis software, the former retained and assisted in coding relevant data collected from qualitative interviews and documents, whereas the latter facilitated, as a reference solution and full-text organizer, the storage of all sorts of literature. Generally, both software tools not only facilitated storage and retrieval, but also assisted analytic procedures with a wide array of possible functions and manipulations. Besides, the most important literature has also been stored in physical folders and was organized by means of a simple numerical register.

Furthermore, a case study diary[40] was kept during the course of the empirical investigation. Therein, running commentaries on the investigator's thoughts, impressions and obscurities as well as on happenings in the empirical research were recorded. By serving as a kind of protocol of the investigator's learning progress on the case, the field notes were constantly reflected upon and extended. Eventually, these notes considerably supported the data analysis and thus increased the quality of the research findings (Eisenhardt 1989).

4.6. Pilot study

Prior to the final data collection, three pilot interviews were conducted in pursuit of several purposes. In general, pilot tests in case study research are formative and

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[40] Yin (2009, p. 45) refers to a case study diary as 'case study protocol', which are used as synonyms in the remainder of this work.

considered to be helpful for refining data collection plans in terms of both the content of the data as well as the procedures to be followed (Yin 2009). Therefore, the previously developed interview guide has been tested with respect to several aspects like a relevant line of questions, an appropriate level of detail and adequate wording and length. Also, whether the collected data indeed corresponded to the data required to answer the research questions has been reassessed by means of the pilot interviews (Eisenhardt 1989). Even though feedback from the respondents indicated that the questions were comprehensive and clear, the pilot process led to minor adjustments of the interview guide.

Besides that, the pilot test also allowed further development of the tentative code system for the data analysis. Similarly to the final interviews as part of the formal data collection, all pilot interviews were audio recorded and subsequently transcribed. Additionally, notes were taken and an interview protocol was prepared immediately after the inquiry to capture descriptive, reflective and demographic information (Creswell 2009). This allowed the identification of a first set of inductively derived codes and code families deemed valuable for the upcoming data analysis. During this process, it became evident that the pilot interviews already contained critical information and insights for this investigation. As a consequence, respondents were asked for their permission to use the evidence from these interviews as part of the main data set.

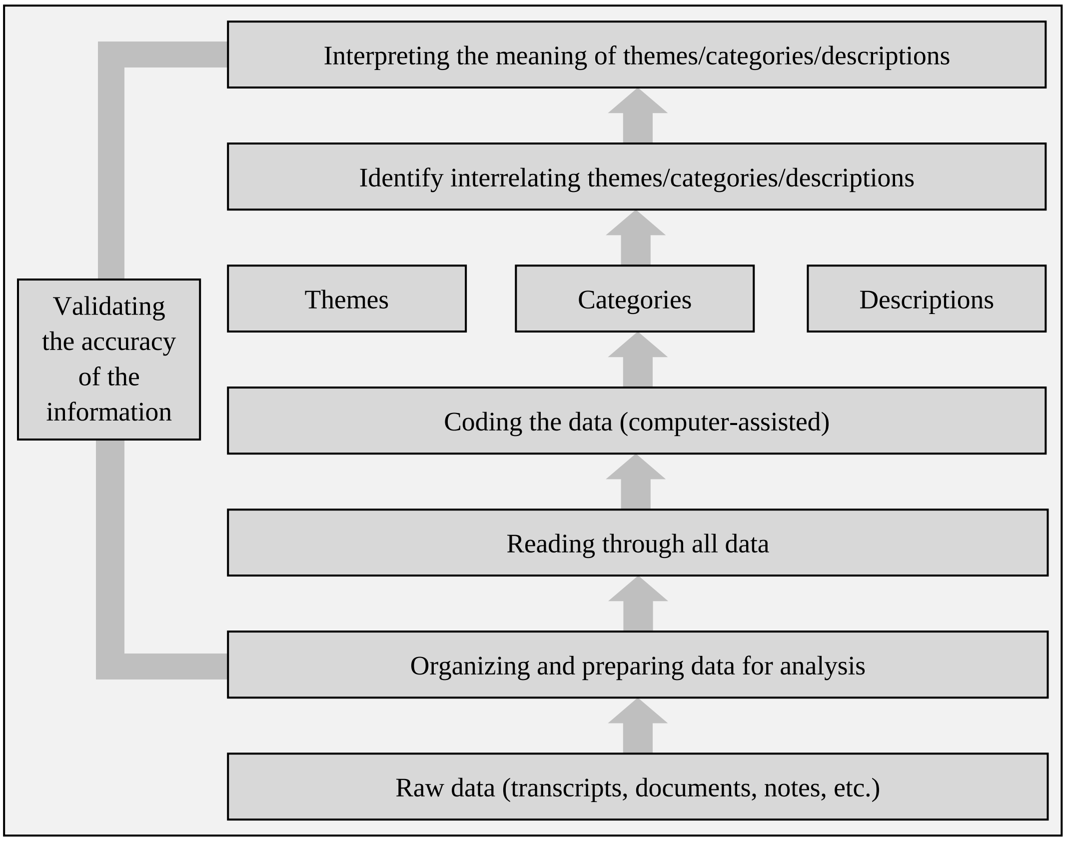
Finally, the pilot phase provided a convenient opportunity to get acquainted with the interview situation and brush up on conversation techniques. Pilot interviewees, who were selected on the basis of their affiliation to the investigator’s wider research setting as well as their willingness and contextual knowledge, not only provided feedback on the questions asked, but were also encouraged to make suggestions for how to improve the conversation and the investigator’s corresponding skills.

4.7. Data analysis

The process of data analysis essentially aims to draw empirically-based conclusions from the interpretation of the collected data. From a qualitative research perspective, methodologists often comprehend such an analytic process as an interactive one that follows steps from the specific to the general and involves actions like organizing, categorizing, perusing, examining, tabulating and testing on multiple levels and on an iterative basis. The ultimate goal is to understand the phenomenon of interest and facilitate theory building in this way. However, the fact that the two procedural phases of data collection and data analysis are often simultaneously conducted makes it particularly important to follow a systematic analytic approach and adopt a basic strategy in doing so (Creswell 2009; Eisenhardt 1989; Yin 2009).

As a general analytical strategy, the present inquiry employed a combination of analytical conceptualization, including an extensive case description, and the formulation of theoretical propositions. While the case description, presented in Chapter 2, Microfinance, developed a descriptive framework for organizing and consequently conceptualizing the aspects of interest, the formulation of propositions is intended to serve as guidance for future research on the involved disciplines (Yin 2009). Thereby, the formal data analysis approach followed in this study largely conforms to a widely accepted procedural framework in qualitative research (e.g., Creswell 2009; Miles & Huberman 1994), illustrated in Figure 4-4. Under consideration of the role of computer-assisted data analysis software, the single steps indicated in this process are specified in the following.

Figure 4-4: **Qualitative data analysis process**



(Source: adapted from Creswell 2009, p. 185)

4.7.1. Procedural steps

As indicated above, the process of data analysis applied in this study adhered to formal procedures that involved several activities. With every step, the researcher thereby came closer to understanding and making sense out of the data, so that eventually interpretations of its larger meaning were possible. On a higher level of abstraction, these analytic activities can be segmented into three basic iterative stages; data preparation, coding the data and data interpretation (Creswell 2009).[41]

Data preparation. In a first step after collecting qualitative evidence, the raw data was prepared and organized for analysis. Audio recordings of interviews were transcribed, field notes typed up and, together with relevant documents, subsequently entered into the electronic case study database mentioned above.

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[41] The three stages of qualitative data analysis referred to at this point conform largely to Miles and Huberman's (1994) categorization of data reduction, data display and conclusion drawing.

After these preliminary activities, the data set was perused and reviewed in order to get a general sense of what it contains as a whole. The researcher took notes and memos of first abstract themes and underlying categories that were thought to become of relevance. By reflecting on early impressions about the depth, credibility and use of the data, first meanings of the evidence were generated and recorded in a case study diary (Creswell 2009).[42] Moreover, the stage of data preparation fostered a first outline of the actual case, which was then successively described in greater depth. The first round of basic analysis also assisted in refining the tentative coding system and informed the interviews that followed. Iterations of this stage were mainly performed at three different points in the process of the empirical investigation; after the pilot phase, when data collection was about halfway through and finally and most thoroughly, for the final data set.

Coding the data. In qualitative research, the detailed analysis begins with coding the data. In a strict sense, the term ‘coding’ refers to the practical process of assigning codes to quotations or segments of information that are of interest regarding the respective research questions (Friese 2012). In a broader sense, coding also includes generating themes and categories for analysis and a more detailed description of the case based on purposive codes. Further, it involves various other analytic manipulations for structuring and displaying the relevant information before bringing meaning to it (Creswell 2009; Friese 2012). In order to fulfill this task in a systematic and efficient manner, qualitative researchers usually rely on computerized support tools in order to avoid getting lost in the oftentimes large volumes of data. For the very same reason, the investigator in this study also committed to a computer-assisted approach and relied, particularly at the coding stage, on Friese’s (2012) comprehensive guidelines for computer-assisted qualitative data analysis. The role of the corresponding computer software in this research is further detailed after discussing the stage of data interpretation.

Data interpretation. As a final step in data analysis, meaning is drawn from the analyzed evidence. Data interpretation in qualitative research can thereby take

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[42] Nicholls (2009c, p. 644) refers to this data analysis procedure as ‘naïve coding’.

many forms. Interpretations can be based on personal considerations or derived from a comparison of the findings with information gleaned from the literature and theories. Interpreting the data can further suggest new questions that need to be addressed or call for action agendas for reform and change in applied theories (Creswell 2009). In the context of this study, the rationales for data interpretation are replication logic and comparison. The point of replication logic is to find repeating patterns within or across cases (Yin 2009). With regard to this investigation, it mainly facilitates the detection of similarities and differences in stakeholder perceptions and further key aspects about the phenomenon of interest in the data, as elaborated in more depth in the upcoming paragraph on generalizability of qualitative case studies.

4.7.2. Computer-assisted qualitative data analysis

Organizing, coding and categorizing raw data material represents a central stage in empirical research that can be very time consuming, especially when using manual methods. Depending on the volumes and types of data, handling the various tasks and systematically analyzing the data quickly becomes too complex without the use of an appropriate support tool. Therefore, the research software *ATLAS.ti* has supported the analytical procedures in this study in the sense of computer-aided qualitative data analysis (CAQDAS) (e.g., Fielding & Raymond 1998; Friese 2012; Kelle 1995). To avoid misunderstandings, this software does not actually analyze data itself, but simply provides assistance to the researcher in this crucial phase and makes the entire analytic process more systematic and transparent. Of the many qualitative data analysis software packages available nowadays, ATLAS.ti has primarily been singled out due to the researcher's training and experience with this particular tool and also because it is deemed particularly suitable in the context of exploratory studies.

Making use of computer software to assist qualitative data analysis procedures has distinct advantages, but has also given some reason for concern in the past (e.g., Fielding & Raymond 1998; Friese 2012). On the benefit site, the ability to easily modify code words and coded segments clearly promotes exploratory research in the first place. But also further tasks like retrieving data based on various criteria, searching for words, patterns and categories, integrating material, attaching notes and finding them again, counting the numbers of coded incidences, offering overviews at various stages of a project and documenting the entire process can be done much more effectively with the aid of such software. Moreover, the ease and flexibility of accessing single data points and the comprehensive view makes the process much more sophisticated and hence increases the validity of research results. This is particularly so for the conceptual stage of an analysis profits, as it allows a more systematic approach to verifying and falsifying developing theoretical thoughts. General concerns about computer-assisted qualitative data analysis on the other side mainly involve the fear that using it leads to a 'wrong' way of analyzing data (Friese 2012).[43]

In order to better comprehend what it means to adopt a software-supported qualitative data analysis approach, the most important components are detailed in the following.

- *Codes*. In simple terms, codes are keywords that can, but don't have to be linked to quotations in the data. There can be 'free' codes that are not used in the analysis, just as there can be free quotations that are not coded. Depending on the type of research and analysis procedures, a project has on average between 120 and 200 codes (Friese 2012). In the present study 155 codes were used to cover the relevant aspects.
- *Code families*. Technically speaking, code families are thus groups of single codes. The idea is to group them according to similar characteristics, meanings or other variables. The same applies to documents. Families can be created, modified, renamed and deleted at any time during the analytic process and have distinct advantages for structuring and comprehending the data (Friese 2012). Code families applied in this investigation, for example, included 'stakeholders

[43] For a more extensive discussion on the advantages and disadvantages of using computers for qualitative data analysis, see Fielding and Raymond (1998).

Switzerland', 'perception microfinance investment' and 'microfinance mission drift issue'.

- *Code book*. In essence, a code book entails all single codes that describe an aspect of interest and code families that group single codes into families with distinct attributes, perspectives or conceptual and theoretical backgrounds. The final code book developed for the present study is outlined in Appendix B.1.

After specifying the data analysis procedures, the following subchapter shows awareness of methodological limitations by describing the steps that have been taken throughout the study to promote high quality research and by addressing the most common concerns of case studies.

4.8. Limitations of methodology

Generally, in order to overcome potential limitations or constraints of research methodology, attention has to be directed towards quality criteria. Common concerns about case study research thereby particularly circle around its lack of methodological rigor and its weak basis for scientific generalization (e.g., Gibbert, Ruigbrok & Wicki 2008; Yin 2009). These issues concerned with methodological limitations of case studies are now discussed with a special focus on the verification measures adopted and the clarifications needed to mitigate these concerns.

Rigor. Lack of rigor in case study research is particularly problematic for two reasons; on the one hand, in critical, early stages of theory development, when explorative case studies are considered most appropriate (Eisenhardt 1989; Yin 2009), limited rigor may have ripple effects throughout later stages in which key variables and relationships are elaborated and tested (Gibbert, Ruigbrok & Wicki 2008). On the other hand, case studies typically aim at creating practice-oriented knowledge with managerial implications. However, '…without rigor, relevance in management research cannot be claimed' (Scandura & Williams 2000, p. 1263). For these reasons, several strategies have been employed to enhance this case study's rigor within the boundaries of the specific research context. The actual methods that were adopted to ensure the research quality are explained in the following. Reference is made to the common quality tests based on which it can be judged whether a study has been conducted along the canons of good qualitative research.

Research quality. Throughout the research process, a number of scientific tactics were employed to ensure its quality, that is, validity and reliability. Qualitative research implies distinct connotations of these two quality criteria. In this context, validity means that the investigator checks for the accuracy of the findings by employing certain procedures, whereas reliability indicates that the researcher's approach is consistent across different researchers and projects (Creswell 2009; Gibbs 2007).[44] The procedures adopted in this study to ensure quality, all of which are addressed over the course of this chapter, mainly included the triangulation of data sources, the maintenance of a chain of evidence, the use of a guiding theoretical framework, the development of a thick case description and finally the detailed documentation of empirical procedures as well as the storage of relevant data material (see Creswell 2009; Yin 2009).

First, common criticism of interview-based case research about the investigator's subjectivity or bias has been addressed by building theory-based operational measures that define the relevant constructs through data triangulation (Eisenhardt 1989). Primary interview data has been corroborated with secondary interview data as well as documentary evidence to strengthen construct validity. For example, the perception of engagement motivation has in this way been taken as an operational measure to capture basic purpose and value-based attitudes of the particular stakeholders from the microfinance investor setting. Also, the final draft of this report has been discussed with single respondents to confirm construct measures and make sure that the findings are accurate.

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[44] Almost every piece of methodological literature on qualitative research contains a section on reliability and the different forms of validity. This study therefore refrains from going into more detail on these quality criteria. However, an extensive discussion can be found, for example, in Kirk and Miller (1986, cited in Bryman & Bell 2007, p. 410)

Second, although reliability procedures that involve team research, such as cross-checking, could not be applied since this study was carried out by a single investigator, several other measures were taken to ensure reliable research processes. For the main part, the research proceedings were documented in detail in a case study diary to make them as operational as possible. Further, relevant evidence was retained by setting up an extensive case study database (Yin 2009). In this way, a distinct chain of evidence could be maintained. Sufficient and consistent citation of relevant pieces of evidence in this work facilitate the reader tracing back the findings and the derivation of conclusions to the initial research questions over the evidentiary process, which not only establishes reliability but also further enhances construct validity (Yin 2009).

Finally, internal validity did not pose an immediate threat to this study due to its explorative character and the aim to evaluate a set of interrelated theoretical concepts rather than trying to explain a specific causal relationship (Yin 2009). However, one of the major concerns about qualitative case studies is that they provide little basis for scientific generalization or external validity (see Eisenhardt 1989; Gibbert, Ruigrok & Wicki 2008). Provided that single case studies are prone to this criticism, the issue is discussed in greater depth next.

Generalizability. According to Yin (2009), case studies can be generalizable, yet not to populations or universes like in survey research, but to some broader theory. In doing so, they do not represent a ‘sample’ in the statistical sense (Nicholls 2009b). Case studies rather strive for analytic or theoretical generalization, which means that a previously developed theory is used as a template to compare the empirical results of the case study. Therefore, a legitimate objective of an exploratory case study is to develop pertinent propositions for further inquiry (Yin 2009). The corresponding mode of theory building in turn is based on a replication logic and constant comparison (see Creswell 2009; Yin 2009).

As mentioned before, this case study not only applied within-case replication and comparison among different units of analysis, that is, analyzing and comparing the same theoretical concepts among the individuals, groups or institutions that constitute this case. Also, the study's results are reflected against the findings of other research studies. However, as the body of existing research is limited, the basis for cross-case comparison is thin. As a result, this inquiry is rather regarded as a starting point to replicate adopted procedures in other settings in order to expand the body of knowledge and promote theory-building. More specifically, the overriding goal of this case study is to initiate further comparative case studies in a similar context to gain a more dense idea of the applied theoretical concepts. The decisive criteria to allow such a transfer of empirical results thereby largely depends upon the contextual backgrounds of the comparative case studies (Yin 2009). It is thus made sure to give an extensive account of this study's contextual background.

4.9. Ethical considerations

Ethical issues may arise at various stages in the process of conducting research. This is especially true for qualitative case studies, where an investigator engages in interpersonal real-life situations that involve the exchange of thoughts, feelings, opinions, knowledge and experience. Doing research with and about human participants makes it necessary to anticipate and proactively address associated ethical concerns. Beyond that, conforming to ethical practices also strengthens the validity and integrity of a research study (Creswell 2009; Patton 2002).

Diener and Crandall (1978) provide a useful classification of ethical principles in business research. The authors argue that ethical issues particularly arise out of four, at times overlapping areas; harm to participants, lack of informed consent, invasion of privacy and deception.[45] While, in general, the risk of transgressing into any of these areas is considered to be relatively small in the context of the present study, they are nonetheless acknowledged and were monitored throughout the research process. Ethical considerations have been incorporated from the early planning of the inquiry through to the research design and dissemination of results. In concrete terms, the possibility of harm to research participants has been

[45] For an elaboration of these ethically critical areas see Bryman and Bell (2007).

minimized, for example, by treating personal details as confidential and making quotations anonymous at all times. Causing harm to non-participants was hardly an ethical issue as the study is not intended to have practical implications for policy-making or any other wide-ranging applicability beyond the boundaries of the investigated network (see Bryman & Bell 2007). As far as informed consent is concerned, every research participant received an information sheet including all circumstances and was in turn asked to sign a consent form before engaging in the research.[46] The notion of informed consent was thereby understood as related to the invasion of privacy, since adequately informed participants understand their involvement and acknowledge that the right to privacy has been surrendered for that limited domain (Bryman & Bell 2007). Additionally, participants were always given the possibility to unapologetically refuse to answer certain questions or withdraw entirely from their participation in the research at any time. Finally, any kind of deception was neither necessary nor intended in this study and adherence to this as well as all the above outlined ethical standards was grounded in the researchers' respect for human dignity and personal commitment to ethical principles in the conduct of research.

Prior to the collection of any data, the investigator applied for ethical clearance from the Chair of the University of Southern Queensland Fast Track Human Research Ethics Committee (FTHREC).[47] Based on a formal review process, the research project was classified as low risk for participants and full ethics approval granted. Permission to continue with the study was secured on the basis of several obligations. They mainly related to the investigator's role and the participants' involvement as well as the procedures applied to ensure voluntary participation, informed consent and the confidentiality of participants during the collection, storage and publication of data. On this basis, the aforementioned participant

[46] The participant information sheet and the consent form provided by USQ Human Research Ethical Committee has been translated into German and adapted to the special setting of this research. See Appendix A.2 for the original participant information sheet and consent form that has been used in this study.

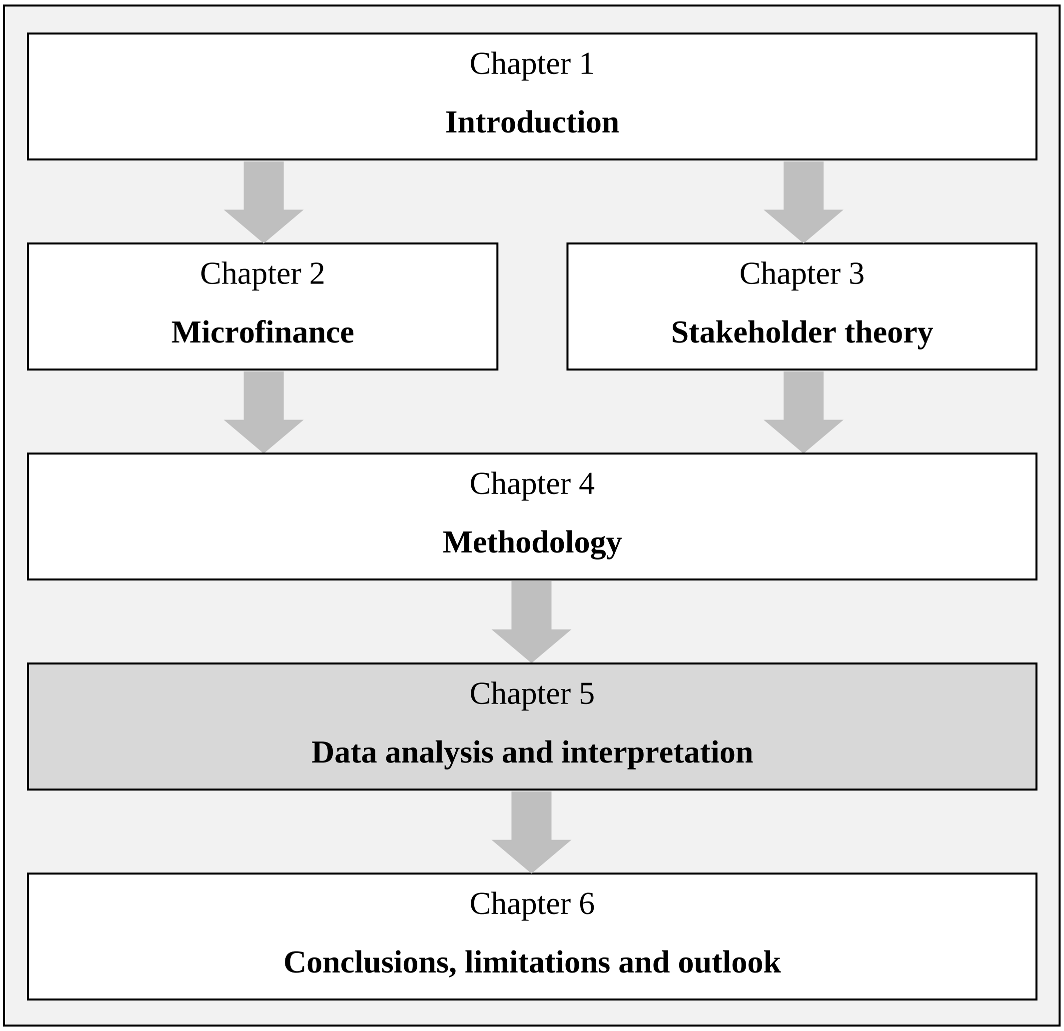
[47] The University of Southern Queensland, as an institution whose research is being funded by the Australian Government, is bound by the National Statement on Ethical Conduct in Research Involving Humans, to ensure that certain ethical standards are met (USQ HREC 2013).

information sheet and the consent form, as attached in Appendix A.2, were prepared and utilized.

Finally, throughout this thesis it is made sure that respondents are not identifiable for reasons of confidentiality. However, the interview partners of this study are listed in Appendix A.3. Based on a comprehensive information and personal disclosure on the details of this research study, all respondents signed a consent form, reproduced in Appendix A.2, which formally clarified the scope and terms of participation as well as their confidentiality. Also for reasons of respondents' confidentiality were involved institutions only in the case description in Chapter 2, Microfinance, referred to explicitly. For the remainder of the work, they are paraphrased by indefinite terms.

4.10. Conclusion

The present chapter has informed in detail about the underlying methodology of this study. The discussion started off by justifying the choice of the interpretivism paradigm and a qualitative methodological approach to guide this research. This paved the way for introducing the adopted research design. Out of the various case study designs, an embedded single-case study was deemed most appropriate, given the specific context of the Swiss microfinance investment industry and the preferences of the theoretical foundation. Conducting case research also implied the focus on certain research methods for the collection and analysis of data. In this regard, semi-structure interviews accompanied by document analysis were considered to be suitable data sources. After discussing the role of the pilot interviews in this study, the procedural steps of data analysis were specified with respect to the supporting function of computer-aided qualitative data analysis software. In a last section, the methods to ensure the research quality and thus address the limitations of the selected methodology were presented and the ethical issues considered in the process of this study were expressed. The methodological deliberations presented here have completed the picture of this research effort required to eventually present, analyze and interpret the empirical evidence as part of the next chapter, Chapter 5, Data analysis and interpretation.


Chapter 1
Introduction
Chapter 2
Microfinance
Chapter 3
Stakeholder theory
Chapter 4
Methodology
Chapter 5
Data analysis and interpretation
Chapter 6
Conclusions, limitations and outlook

Chapter 5: Data analysis and interpretation

In the previous chapter, the research methodology employed in this exploratory case study was introduced. The chapter at hand now presents, analyzes and interprets, on the basis of the formulated guiding and subsidiary research questions, empirical evidence collected on the case. Further reflections and the significance of the study's findings against the background of existing research and knowledge, as well as the practice-oriented and theoretical implications of the results are subsequently discussed in Chapter 6: Conclusions, limitations and outlook.

The data analysis procedures discussed in the following build on the extensive case description, outlined in Chapter 2, Microfinance. Accordingly, the stakeholder perceptions are subsequently presented on a group-by-group basis. This course of action allows for comparison of perceptions with respect to similarities and differences among the stakeholder groups later on. On the basis of the findings revealed up to this stage, the guiding research question is eventually addressed. At the end of this chapter, a conclusion on the process of data analysis and interpretation is drawn.

5.1. Introduction

The aim of this introduction is to give an overview of the content of the upcoming perception analysis in which the individual perceptions of the involved stakeholder groups are examined based on empirical evidence. For the sake of clarity, the specific subsidiary research questions answered thereby are initially recalled:

- *How do stakeholders from the Swiss microfinance investment network perceive the motivation for engaging in microfinance?*
- *How do stakeholders from the Swiss microfinance investment network perceive mutual value creation?*
- *How do stakeholders from the Swiss microfinance investment network perceive the mission drift issue?*

Due to the richness and distinct nature of the collected qualitative data, a thematic approach has been chosen in order to analyze and present stakeholder perceptions. The general analytical strategy thus proceeds along themes that are essentially characteristic for the view of a particular stakeholder group, without implying, however, that others are entirely unaware of the topics assigned to a specific group. Table 5-1 summarizes these thematic emphases, discussed in detail afterwards, and also gives the gist of stakeholder groups' understanding of each of the three relevant themes.

Table 5-1: **Overview of thematic emphases in stakeholder perceptions**

	Asset managers	**Investors and advisers**	**Experts**
Engagement motivation	Sector-wide investment perspective with commercial focus • Deeper meaning of work • Financial inclusion versus poverty alleviation	Local partnership perspective with investor focus • Business opportunity and CSR • Double bottom line investors	Holistic long-term perspective with development focus • Development focus • Poverty alleviation
Mutual value creation	Cooperative cross-border relationships based on bridging function • Cooperation with primary stakeholders • Influence of sector's status quo • Competition • Legislation and regulation	Local partnerships based on banking relationships • Local banking partnerships • Competitiveness • Communication and transparency	Cross-sector network ties based on broader development interests • Plurality of opinions • Value creation between public and private stakeholders • Influencing capability
Microfinance mission drift	MFI-related understanding with awareness of wider implications • Overindebtedness • Due diligence, social performance and client protection	Media-driven understanding with focus on risks for investments • Raised expectations • Influence of media • Investment risk perspective	Multi-layered understanding with awareness of long-term changes • Varying points of view • Crowding out • Neutral approach

(Source: own table based on case study data)

Since this data analysis adheres to the guiding conceptual framework introduced at the end of Chapter 3, Stakeholder theory, the remainder of this chapter as a whole is structured along the formulated subsidiary and guiding research questions. Initially, stakeholder perceptions of the engagement motivation, mutual value creation and the mission drift issue are analyzed and presented. Starting with the view of microfinance asset managers, the same procedure is afterwards applied to microfinance investors and advisers as well as microfinance experts in order to facilitate cross-comparison at a later stage. On the basis of similarities and differences in perceptions, the implications of these previous findings for mutual value creation within the microfinance sector as a whole are eventually discussed.

Unless otherwise acknowledged, the adopted point of view in the following perception analysis conforms to an aggregated self-perception of the respective stakeholder group. Depending on within-group ambiguities, distinct examples of individual views may, nonetheless, also be referred to if deemed relevant for answering the specific research question.

5.2. Perception of asset managers

As a first stakeholder group, the perception of Swiss microfinance asset managers is analyzed.[48] In general, asset managers are by far the most visible stakeholders within the investigated network. Particularly, the two leading companies stand out. Due to their relatively strong presence, they have generated most entries in the data and were, because of their expertise, often regarded as the predominant actors when it comes to microfinance investments. Apart from their dominance, a relatively wide spectrum of institutional structures, investment philosophies and intended purposes has been recorded, not only among asset managers themselves, but also on the level of single funds. However, given that, at least in terms of assets under management, the majority of Swiss microfinance asset managers inherently stand for commercial investing, most respondents of this stakeholder

[48] The following analyses and interpretations are based on code frequencies listed in Appendix B.2.

group took the stance of a business and private sector approach to microfinance. Accordingly, the case study data show that the perceptions of interviewed asset managers were strongly guided by their raison d'être; the bridging function between socially-minded commercial investors and microfinance service providers: "[Our] role is to build bridges between investors and MFIs and ultimately their clients."[49] With a focus on these principal stakeholders located in very different settings, respondents generally thought of their role as balancing interests, and of their responsibilities as managing the risks for these two parties at opposite sides of the value chain. Showing great respect for associated challenges, one interview partner referred to this endeavor as "the art of fund management" in the field of microfinance investment.

5.2.1. Engagement motivation

From the viewpoint of asset managers, the motivation for engaging in microfinance invariably rested upon the firm belief in the compatibility of social and financial objectives. The conviction dominated that doing profit-oriented business is consistent with a dedication to social impact, in fact, that one nurtures the other: "doing good will financially pay off in the long run." The achievements of the private sector as well as the impressive growth of commercial investments in this context were frequently taken as proof of this premise.

> I strongly believe in the compatibility of financial and non-financial objectives. Certainly, that's what we have to go for. It's absolutely crucial that capital flows and financial markets become more focused on social and ecological concerns, otherwise we sooner or later run into serious problems.

Nonetheless, most respondents showed awareness of the inherent tensions such a business approach brings. Reconciling the necessity to be financially rewarding from an investor's point of view with a main focus on improving the lives of vulnerable poor was often regarded as a challenging balancing act. Accepting these challenges of a blended value proposition, while at the same time working in

[49] This statement is, for example, based on frequencies of the codes ST_CH_Investors, ST_MF_Investors, ST_MF_MFIs and ST_REL_Dual as seen by interviewed asset managers.

an environment that spans across industrialized and developing countries was for many a motivation by itself: “I like doing challenging work in foreign countries that is not an everyday affair.”

> Of course, it’s always a balancing act between economic considerations and social criteria… two worlds are tried to be unified here that have the potential to collide with one another, hence there will always be tension; that’s part of the excitement.

Deeper meaning of work. Although, the range of actual activities of microfinance asset managers was generally viewed as quite similar to conventional asset management, it was, above all, the underlying meaning and content of the specific work that was often seen as being fundamentally deeper, and was thus a major driving force.[50]

> It’s a job like any other, but with a deeper meaning and the content of the topic is very different... All my colleagues have a totally different basic conception in their thinking than, let’s say, conventional investment bankers.

> Other objectives are involved than in the classic financial industry, and, in turn, you work differently and things are different… it’s obviously another groove.

In this regard, one interview partner also talked about the virtue of returning to the roots of banking when reflecting on engagement motivation. Against the backdrop of the recent global financial crisis and the ensuing trouble in western financial markets, microfinance was seen as a rewarding way to refocus efforts again on the fundamentals in banking and hence a model to learn from.

> To witness on site how microfinance works, and that it works by simple means, reminded me of how it was in Europe, where highly complex formulae of financial markets almost ruined our society. I believe we can and should learn that we have to refocus our financial markets on social development again, rather than producing artificial returns and a lot of hot air.

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[50] As another example, this statement results from an in-depth analysis of the code family MOT_ as seen by interviewed asset managers.

Financial inclusion versus poverty alleviation. Characteristic for asset managers' response when asked about the overall mission of microfinance was the distinction of financial inclusion and poverty alleviation. Special emphasis was thereby placed on the effectiveness of microfinance as a tool to promote the former. Enabling access to financial services was mostly associated with poor people's opportunity to engage in entrepreneurial activities, which, in turn, was thought to improve their lives and the ones of others in the respective countries.

> We believe that access to financial services is crucial to support the local entrepreneurial activity. The access to services such as microcredit and micro savings… is an important basis to boost productivity, to grow a business and to make it profitable and stable in the long-run.

In contrast, a few interviewees expressed their reservations about comprehending microfinance as an instrument to eradicate poverty as such. Excessive expectations of its potential impact and effectiveness were thought to be raised in the broader community and the public opinion by doing so, which was thought to be adding to poorly founded criticism.

> The thought of poverty eradication seems to me again very courageous. The products and services we discuss here are not the silver bullet to fight poverty. I think it is a very important instrument in the whole mix, it has to be implemented correctly and actors really need to understand what they are doing and why they do it.
>
> What happened in the past is that microfinance was portrayed as a simple tool for poverty reduction, which was very dangerous, insofar as it created unrealistic expectations… and now we have seen in certain instances some sort of backfiring in the form of exaggerated criticism.

In relation to financial inclusion, the importance of providing a customized range of financial services was further stressed by asset managers. Not only the financial needs, but also the financial literacy of end clients was argued to require close attention of each and every stakeholder along the microfinance value chain.

> …access to financial services of as many people as possible and, of course, not just any services, but financial services that are customized

> and adapted to the needs of these people, but also to their literacy; is what our banks seem to have forgotten to some extent.

In summary, the above analysis indicates that the studied asset managers are, to a large extent, intrinsically motivated by the deeper meaning of making a contribution to value creation in microfinance. At the same time, they appear to be aware of the tensions involved in the dual value proposition and the dangers of building on exaggerated aspirations. Regarding the next section of this perception analysis, capturing the essence of the motivation behind engaging in microfinance has paved the way for elaborating how Swiss microfinance asset managers thought of mutual value creation.

5.2.2. Mutual value creation

The majority of interviewed asset managers took a rather holistic view of the value creation process. Balanced awareness was generally shown for the diverse contributions of stakeholders in the different settings of microfinance. With a focus on the investigated network, the continued collaborative relationships and the prevalent sense of mutuality among the various stakeholders were often highlighted. Individuals and institutions of the Swiss network were overall deemed to be committed to contributing their share to value creation in a responsible and lasting manner: "The secret of success of microfinance in Switzerland lies in stakeholders' desire to pronounce more strongly the sustainability aspect." Accordingly, benefit potentials predominantly emerged from within the analyzed stakeholder network, whereas the comparatively less pronounced risk potentials mainly emerged from the wider stakeholder environment. Consequently, asset managers were largely pleased with the way in which mutual value creation takes place within the particular network. More closely examined, the data suggest that the focus of analysis has to be directed towards their specific interactions with investors, MFIs and public actors. These primary stakeholder relationships are taken up in the following in order to specify asset managers' perception of mutual value creation.

Cooperation with primary stakeholders. Provided that financial intermediation was seen as the main role of asset managers, respondents often took the raising of a critical volume of capital as a prerequisite for them to become active in the first place. Considerable importance was thus attached to forming close relationships with investors and banking partners. Only by offering an attractive investment opportunity did asset managers regard themselves as able to fulfill the bridging function and meet the funding needs of microfinance providers.

> Only if fund managers succeed in positioning themselves attractively can they aggregate an increasing volume of funds and subsequently invest into microfinance.
>
> If we cannot convince investors, then we cannot employ funds in microfinance. That's the key to the concept, if it's to be done on a private sector basis.

Associated responsibilities of asset managers towards investors in a strict sense were invariably identified to be exactly the same fiduciary duties like for any other financial institution as well, no matter whether concerned with social or conventional investments. Respondents mentioned in that regard the responsibility to safeguard investors' assets and yield a financial return, to guarantee liquidity and transparency of investments and to provide extensive information on their financial and social performance.

On the investee side, asset managers saw their main role in making the needed capital base available to enable poor people access to financial services, particularly lending: "On the one side of the balance sheet you need to be funded, so that you are able to grant credit… that money must come from somewhere." Interview partners thereby also demonstrated awareness of the responsibilities related to their role as funders of MFIs. Often-quoted responsibilities ranged from a sound due diligence process, to fair and supportive funding terms, to managing the diverse risks that arise from such a cross-border funding relation, like foreign exchange risks or the various country risks.

Apart from investors and investees, interviewed asset managers unanimously regarded actors from the public sector as further critical stakeholders. In particular, regulators and supervisory authorities, not only as part of the Swiss financial market, but also with respect to the countries of investment were often mentioned. In a local context, respondents primarily pointed to their dependence on an enabling environment and continued support of Swiss authorities as well as the need for them to understand the private sector’s role in microfinance. The lack of an appropriate and target-oriented private sector industry-level platform in order to speak with one voice towards these powerful stakeholders was sometimes regarded as a limiting factor in this respect. However, thanks to the intense explanatory work of Swiss microfinance pioneers from early on, the collaboration with local authorities was usually thought to be quite good these days: “…the collaboration between private and public players in Switzerland is pretty good today.” Moreover, many interviewees showed respect for the expertise and important function of governmental stakeholders when it comes to development cooperation. Indicating that interrelations between public and private funding activities were critical for the progress of microfinance, the approach taken by the Swiss government was seen as considerate and mutually supportive in the majority of cases: “…I would say, they don’t do much, but what they are doing is very good.”

Influence of sector’s status quo. The evidence vividly shows that asset managers’ perception of value creation was further strongly influenced by the sector’s status quo. In other words, contemporary challenges and opportunities in microfinance had a noticeable effect on how respondents of this particular group saw the risk and benefit potentials within and beyond the stakeholder network. But also along these lines was mutual value creation within the investigated network predominantly portrayed in a positive way. Three distinct patterns were identified of how asset managers perceived the potentials in mutual value creation.

First, the data indicate that the recent events in the sector have had an impact on how asset managers perceived the risk of reputational damage on the part of investors. Even though none of the examined asset managers reported to have been directly involved in these incidents, most of them expressed concerns about the sector’s image. The controversial developments were said to have led to uncertainty among investors and the broader public, which raised the need for them to become more transparent and intensify their communication. While the exchange of knowledge and information among stakeholders within the network was generally considered well established, potential for improvement was recognized with regard to investors. Enhanced transparency and communication was consequently often deemed to be central in order to rebuild and strengthen the sector's reputation and investors' trust in microfinance investments.

Second, against the backdrop of the recent financial crisis and the present controversies in microfinance, respondents usually highlighted the need for collective efforts among the various public and private stakeholders in order to reinforce the basis for the future. On the one hand, asset managers took a mainly positive view of how stakeholders within the investigated network collaborated in this context: "Collaboration… has become much more common, and far more so than in the mainstream investment community." Above all, the joint experiences made in this ongoing critical phase were often believed to have a markedly beneficial influence on the network's coherence and cooperation potential. Many respondents were pleased with the way Swiss stakeholders coped with the turbulences and the extent to which lessons have been learnt: "We believe that the present environment is one that raises the right reactions at the right point in time." On the other hand, the major risk with regard to cooperation emerged from the wider stakeholder environment and was related to political interference as a reaction to latest developments. A large share of interviewed asset managers were generally concerned that stricter regulations in microfinance markets as well as in the formal financial system would inhibit further growth and innovation in microfinance investment, regarded as the main drivers for future development.

A third pattern of perceived value creation potentials is recognizable in the relationship between asset managers and MFIs. As a consequence of the microfinance investment sector's enormous growth, differentiation was generally viewed as an increasingly important topic. Potential advantages for value creation were thereby identified in the differentiation of MIVs in terms of their investment focus on varying geographical regions and subtopics. To offer a broader and more diversified range of investment products and philosophies was deemed inevitable to attract investors with different risk/return profiles. In turn, broadening the scope of contributions to value creation in this sense was one of several ways of how asset managers were perceived to meet their social responsibility. The perception that asset managers where in the best position to increase the positive impact of the investor setting on microfinance was not only indicated by the stakeholder group itself, but even more so by other stakeholders in the network. Accordingly, it was often referred to the influencing capability of asset managers on microfinance service providers in a favorable manner. Reflected by their particular roles and responsibilities in this context, respondents often stressed that asset managers can make a difference in the local setting and have some sort of power to influence how and where microfinance markets develop.

Figure 5-1 summarizes and outlines these three patterns of how asset managers perceived the potentials in value creation. The number in the top left corner of the randomly positioned value creation potentials represents the frequency of quotations referring to it as a benefit, whereas the number in the bottom right corner represents the frequency of quotations referring to it as a risk.[51] The arrows in the figure, which are either unidirectional or reciprocal, merely gives an indication of how the interviewees from this stakeholder group predominantly perceived and referred to the relation between the depicted value creation potentials, as thematically dealt with in detail above.

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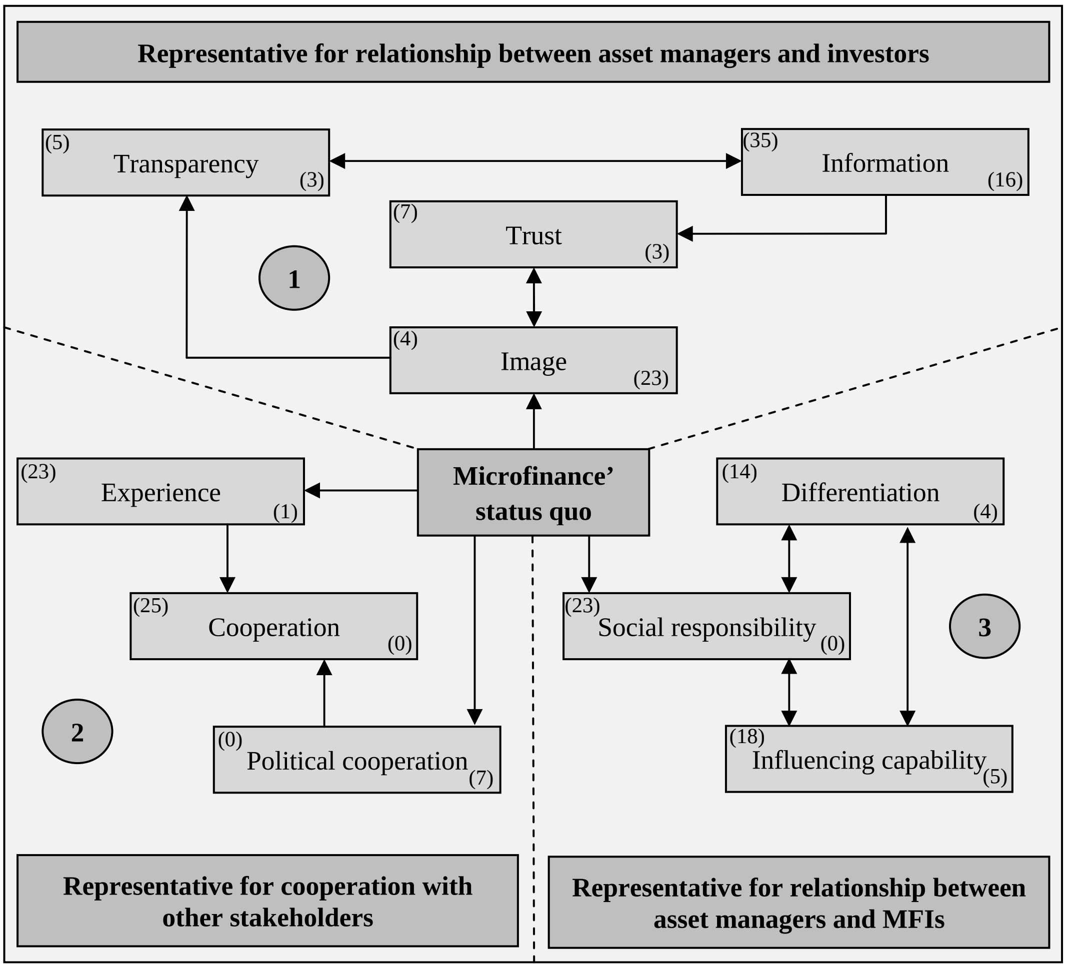
[51] Code frequencies are also outlined in Appendix B.2.

Figure 5-1: **Patterns in value creation potentials as seen by asset managers**



(Source: own figure based on case study data)

Competition. In addition, mutual value creation in microfinance was according to respondents from this stakeholder group driven by a growing, yet still moderate level of competition. While competition was often regarded as a vital stage of market development and thus in principle perceived as a desirable trend, also a number of concerns were expressed in this respect.

> We generally see competition as a positive trend that is part of market development; it's healthy, it's important, it makes the market dynamic. But, of course, we would logically prefer a monopoly. Competition increases margin pressure, you have to make more effort and spend more time on relationship management with MFIs for example.

More specifically, competition was thought to be increasing on both the fundraising side for particular investor segments and on the investment side due to the limited universe of investable MFIs. On the former side, respondents thereby often referred to local asset managers, whereas on the latter, competition was comparatively more heavily weighted and rather understood in an international context. Driven by an increasing number of MIVs that still invest in a relatively small fraction of investable MFIs, the concentration of commercial investments was often seen as a critical trend that deserves close attention: “There are worldwide maybe 200 MFIs in which maybe the same 10 funds would like to invest… the competitive pressure has certainly increased over the last 5 years.”

Moreover, related concerns were expressed with regard to an increasingly competitive climate for MFIs regarding certain customer segments in a few microfinance markets. Referring to recent events and the risk of overindebtedness in such markets, respondents were sometimes worried about the implications of the first signs of saturation for the sector as a whole.

> Competition forces us to try harder to increase quality, lower prices and so on. We feel it ourselves as funders, which is beneficial for us, but, of course, service providers on site can feel it too.
>
> For us, on the investment side, market saturation is an exciting question in a positive as well as a negative sense. And market saturation needs to be put in quotation marks, because these markets are by far not saturate throughout, but in certain areas, certain signs of saturation have become visible, which means it’s getting more difficult, but also more interesting in these markets.

Therefore, the necessity to establish an infrastructure to exchange credit information, by means of so-called ‘credit bureaus’, and implement adequate regulations was frequently stressed.

Legislation and regulation. As mentioned above, a determining factor for the extent to which asset managers were thought to be able to contribute to value creation in microfinance was legislation and regulation. In a Swiss context, respondents notably referred to the legal and regulatory challenges concerning the launch of a microfinance fund in the first place, the taxation of gains on such investments and investor protection provisions, which take effect for microfinance like for any other cross-border investment: “The Swiss financial market authority is in the driver seat and says what is acceptable and how far we can go.” As a consequence, the Swiss legal and regulatory framework was sometimes also felt to be inhibiting the development of local investment activities in microfinance.

In a broader context and with regard to investments in developing and emerging countries, many interview partners further stressed the difficulties in conforming to varying foreign legislations. Depending on the degree of protectionism, related country risks were said to be critical for whether investments in MFIs were actually feasible or not. In that regard, the crisis in Andhra Pradesh and the Indian government’s controversial interventions was often a topic. However, in view of the first signs of market saturation, respondents often emphasized the central role of local regulators: “Regulators in these countries must play engaged, supportive roles but not become overly zealous.“ While being aware of the fact that young and emerging industries commonly involve the risk of inappropriate regulation, interview partners often draw attention to the importance of preventing unethical and adverse business practices by means of regulation, such as fraud and corrupt activities. In doing so, strong legal and regulatory frameworks that enable healthy and sustainable institutions, competition and development of a market environment were urged to become effectively enforced. However, a few interview partners raised concerns that some rules and regulations, such as interest rate ceilings, not only lower the risk, but potentially also the chance for poor people’s access to financial services.

> Probably it will lead like in every market to some ‘bubbling’ before various elements of systemic regulation come to play. Sometimes some ‘bursting’ is even required before broad band measures are taken. I am sure this topic being so widely discussed presently in the industry and in the press will foster adequate measures if any are required, thus preventing adverse impacts.

In essence, Swiss microfinance asset managers’ perception of mutual value creation was characterized by the significance of fruitful relationships with their primary stakeholders and markedly influenced by the current climate in the sector as a whole. In particular, competition and the role of legal and regulatory authorities were emphasized. The insights on this stakeholder group's perception so far serve as a basis to finally analyze its perception of the mission drift issue.

5.2.3. Mission drift

Most interview partners from this stakeholder group hesitated when asked about their view of mission drift in microfinance and initially drew attention to the fact that a differentiated consideration in respect of the diverse approaches, institutions and country-specific markets subsumed under the term microfinance was required. Nevertheless, the data generally show that asset managers in this case study apprehended mission drift primarily as an institutional issue that directly relates to the relationship between microfinance providers and their clients.

> In the short run, it may cause major conflicts and it is actually possible to rip off clients, to reap profits at the expense of social objectives. But in the long run, this is not possible. If I rip off my clients I'm the one to suffer most as an MFI.

Often-cited issues in this context included the overindebtedness of clients, the shift from business to consumer lending, IPOs of MFIs and the debate on interest rates, whereas the impact on the outreach of service providers as such was rarely mentioned. Respondents regularly showed awareness of the broader implications of these issues not only for microfinance clients, but also for the investor setting. Provided that there was implicit consensus among respondents that mission drift represented a potential danger for MFIs, particularly when poorly regulated and transforming into profit-oriented businesses, it was only rarely perceived as an institutional concern for asset managers themselves.

Furthermore, some respondents took a pragmatic stand and argued that it largely depends on the stated mission of an institution whether a shift in the form of diverging business practices has occurred or not. In line with this, the conviction dominated that there were no conflicts in the long run between asset managers' stated mission and their business activities: "Any kind of mission drift among [Swiss microfinance asset managers] has never been encountered." However, interviewed representatives of asset managers often reflected on their responsibilities when it comes to mission drift of MFIs. They referred to the fact that it was in their interest to ensure that refinanced MFIs do not shift from their original mission due to an increasingly competitive environment or a profit-minded management. At this point, many respondents referred to the importance of their due diligence processes and social performance reporting.

In a broader sense, a few respondents indicated that there was an overall tendency of the sector to become ever more profit-oriented: “If mission drift is to be understood as the rejection of the traditional understanding and that it [microfinance] has become overly commercialized... there is some truth in it.” Mission drift was thereby taken to mean “…the displacement of social objectives through commercialization”. Against the background of historical roots, respondents consequently placed value on the necessity to stay true to the movement’s traditional mission and not become overly engaged with growth and size. Nonetheless, most of them felt that the intensity of recent criticism in this context was unjustified.

> Microfinance is not just any other financial service, but a business that is direct towards poor parts of the population, which means that it has to be adapted to their needs and has to make a social contribution to development and poverty alleviation in these countries.

When asked about events that best symbolize the danger of mission drift, interviewees most often referred to experiences made in local microfinance markets. While overindebtedness of clients was by far the most prevalent concern among asset managers in this regard, a few also told of personal encounters with profit-minded businessmen and politicians that have entered the field in the hope of reaping large profits for personal enrichment: “Always if something works really well, misuse is on the rise too.” However, it was subsequently often cautioned again from taking such incidents in single trouble spots as a general rule and as a basis for accusing the sector as a whole of drifting from its original mission.

In the following, asset managers’ views of overindebtedness are elaborated, insofar as the issue stands out in the qualitative data on this stakeholder group.

Afterwards, three related topics, including the due diligence process of asset managers, client protection and social performance, are presented in more detail due to their considered significance in that particular context.

Overindebtedness. Secondary data on Swiss microfinance asset managers suggest that they have intensively informed about the issue of overindebtedness in recent years. Although some respondents mentioned that they had generally been aware of the risk long before the crisis in Andhra Pradesh, many emphasized that they consequently felt the urge to improve transparency on these events and the risks involved. While information needs on part of investors were said to be manageable in this regard, the importance was often stressed to actively inform not only about the backgrounds and consequences in an objective and balanced manner, but also about the measures taken on their part. Overindebtedness was thereby not necessarily understood as a direct consequence of mission drift, but rather as a symptom of deeper structural problems as well as increased saturation and competition in certain markets. In order not to push such adverse developments in times of growing investment volumes, one Swiss microfinance fund, for example, suspended the intake of new funds from investors for a few months. In doing so, the concerned asset manager intended, among others, to set an example for their awareness and indicate that measures were taken to address and control risks like overindebtedness.

Due diligence, social performance and client protection. Beyond that, interviewed asset managers generally showed willingness to take on their responsibilities regarding the various risks subsumed under a broad understanding of the mission drift issue. Identified areas in which asset managers potentially saw themselves able to take action mainly included the due diligence process, social performance and client protection.

> [We] feel it is our responsibility to ensure to the best of our ability that the MFIs we finance work in ways to maximize this social impact. We see this as a win-win proposition, as reducing the vulnerability of low-income microfinance borrowers ultimately reduces the financial risk of our investments as well.

> Part of the due diligence process is that you are aware of these risks and that you try to control them and in doing so, have an influence on them.

Some actually confirmed a reaction to recent controversial events in microfinance from stakeholders of the investigated network in this respect. For instance, some asset managers reported to move, as part of their strategy, geographically closer to funded MFIs, so as to be able to monitor and control these risks on site more effectively. Also, some asset managers mentioned to have advised their banking partners not to push the selling of their funds too much.

> In the aftermath of recent events, many stakeholders have reminded us that it is inappropriate to maximize profits in this field at the expense of end clients, various stakeholders including the public and federal agencies, have told us so and we approve it.

Finally, the data reveal another interesting aspect in the perception of asset managers in this regard. Respondents occasionally referred to their role as a supporters and supervisory bodies for responsible finance and social performance. Further evidence on the activities and actions of this stakeholder group largely underpins this perception. For example, by promoting initiatives and campaigns on topics like client protection and social performance, leading asset managers aim to encourage compliance of associated principles and provide the right incentives to do so.

To sum up this section, mission drift was mainly perceive as an institutional issue for MFIs that manifests itself in the problem of overindebtedness by Swiss microfinance asset managers. In response, they usually highlighted the importance of an extensive due diligence process and the promotion of social performance management and client protection principles.

5.3. Perception of investors and advisers

As the second stakeholder group of interest in this study, the perception of investors and their Swiss wealth advisers is subsequently presented and analyzed. Beyond introducing it as part of the case description, further clarification on this particular stakeholder group is needed on how the perception of the two constitutive types of stakeholders – investors and wealth advisers – are exactly understood and outlined in the following. As mentioned in Chapter 4, this study does not take the self-perception of individual microfinance investors into consideration due to common data access restrictions for reasons of identification and confidentiality. Given this limitation, evidence on microfinance investors presented in this section exclusively stems from other stakeholders, particularly wealth advisers, which means that investors' points of view are portrayed based on the perception of others. Wealth advisers from the introduced retail banks are thereby key stakeholders as they bear the most direct relations with investor and markedly influence investment decisions and their opinion about microfinance, which also explains the preliminary integration of these two types of stakeholders. Although their perceptions essentially share much in common, investors and wealth advisers perceived certain relevant aspects differently, such as the motivation for supporting microfinance. These ambiguities are taken into account and made explicit in the subsequent perception analysis.

5.3.1. Engagement motivation

Generally speaking, the interest of investors and their wealth advisers in microfinance is best symbolized by the related concept of the 'double bottom line', which was brought up by respondents from this stakeholder group the most. In this sense, the data suggest that both principally shared the conviction about a harmonic relationship between social and financial objectives in microfinance. However, the main reason for supporting microfinance within the group varied according to the different roles these stakeholders play. For investors, the social dimension seemed to be the primary rationale for getting involved, although the financial dimension represented a vital supplementary criterion in the majority of cases. For wealth advisers and involved retail banks, the business opportunity that not only corresponds to an increasing demand, but was also considered as a way to take on their corporate social responsibility (CSR) seemed to lie at the center of interest, when asked about the driving force behind their commitment. Besides expressing respect for the distinctive social side of microfinance, interviewees from this stakeholder group showed a markedly differentiated view of the financial advantages microfinance investments bring. Hereafter, relevant aspects that deserve closer attention in order to fully understand this stakeholder groups' motivation for engaging in microfinance are examined, before discussing the association to the double bottom line concept in greater depth.

Business opportunity and CSR. The case study data indicate that the primary reason for local retail banks to engage in microfinance is to tap an innovative business opportunity in response to a strongly perceived customer demand. In accordance with the trend for investments that entail ESG principles, the majority of interviewed bank representatives perceived microfinance as one of the most promising and exciting topics, which enjoys growing support from private investors. In turn, emphasis was often put on wealth advisers' duty to make such new investment opportunities available to interested clients.

> Clients are at the center of our business activities and they urge us to break new ground… when our clients look for innovative solutions to get engaged responsibly, we must be capable of providing products that might be of interest.
>
> Together with the emerging sustainability topic, microfinance was a good fit for us back then we assessed microfinance as a fully valid asset class and that's why we got involved.

Against the background of the emerging social investment universe, the striking argument in favor of microfinance was primarily related to its financial attributes. Interviewed wealth advisers had a markedly fragmented view in this regard and indentified a range of interrelated financial merits that are characteristic for microfinance investments, including stable returns, relatively low volatility and high resilience to economic shocks as well as comparatively little correlation to other asset classes. From a portfolio management perspective, microfinance thus proved to be an attractive alternative for portfolio diversification in the eyes of wealth advisers and many felt that this aspect has to be, at least, treated equal to its social impact.

> Some, like us for example, try to foreground the financial performance. Where does it make sense to get active in

> microfinance, where are financial returns with limited risks to be expected?
>
> The argument was relatively convincing that microfinance investments have a totally different risk/return profile in comparison to other asset classes… this was a very high incentive to examine microfinance more intensively.

In sum, the growing demand of private banking clients for the broader asset class coupled with comparatively attractive financial characteristics seemed to be the major reasons for retail banks to become engaged in microfinance in the first place. Furthermore, respondents from retail banks committed beyond the sole distribution of microfinance investment funds also thought of it as a way to recognize their corporate social responsibility. Since retail banking is their field of expertise, several respondents considered microfinance as a suitable tool for global financial institutions to make a positive contribution to society in a responsible and sustainable manner.

> Microfinance is the perfect topic to live up to our social responsibility since our core competence is finance and banking, so it makes much more sense to get involved in microfinance than in other topics.
>
> If you think about microfinance, it is banking and banking is our core competence, so why not have a look at it.

Besides showing interest in microfinance for CSR reasons, a few respondents alluded to the fact that the promotion of social and economic long-term development by this means would also make sense in view of future business opportunities in emerging and developing countries.

Double bottom line investors. Referring to the investor landscape, most respondents suggested that a range of different motivations for investing in microfinance were evident. In the eyes of wealth advisers, the concept of the double bottom line, which places value on both social and financial objectives, thereby best captured the spectrum of investors' motivation. In contrast, the two extremes, namely an exclusively social or financial investment rationale, were largely deemed non-existent or extremely rare in commercial microfinance:

“People who only invest out of financial interest are very rare in microfinance.” One-sided positions were argued to be unreasonable, insofar as much more effective and better accessible alternatives were available for such investors. In this regard, respondents often point out that microfinance funds have comparatively high entry barriers, such as lock-up periods, which automatically attract long-term investors with a dual investment proposition.

Nevertheless, most respondents still perceived nuances in motivations of investors that shared the appreciation for the combination of the two dimensions. In other words, the double bottom line was rather interpreted and portrayed as a continuum of more differentiated, but still combined, motivational positions. Two types of investors were commonly recognized therein by wealth advisers: First, the majority of investors were thought to place more value on the social performance of microfinance investments. Provided that it was, unlike donations, financially viable and relatively secure, they would often regard microfinance as a comparatively direct and transparent means to give something back to society and thus “doing well by doing good.” Like-minded investors thereby tended to stress the desire to support poverty alleviation and often felt connected to the entrepreneurial opportunities that microfinance would offer to poor people. Second, respondents also recognized the occurrence of another type of investor, particularly in recent years, hence after the global financial crisis. Some were of the impression that a rather small but growing number of investors decided to invest in microfinance based on its ability to increase portfolio diversification. The social performance would, in turn, rather be seen as an ‘add-on’ and without its financial qualities microfinance might not have been an option for them.

> There’s this catchphrase of the double bottom line and the striking question is what is given greater weight, social or the financial return? Many put more weight on the social, some are fifty-fifty, and then there are a few who weight the financial side a bit more.
>
> We perceive two types of investors; the one that deliberately wants to do something good, but doesn’t want to lose money, and the other who sees it as an alternative for diversification and would probably have decided otherwise, if it wasn’t for this component.

Finally, a singularity in the data on investors and wealth advisers is that this stakeholder group rarely perceived the potential of microfinance to promote financial market development and institution building. Although microfinance was sometimes understood as a tool to promote economic development in general, respondents showed little awareness of a financial institution or market development perspective, which reflects, to a certain extent, the distinct perception of commercial investors and their wealth advisers regarding the purpose of microfinance.

In brief, the perception of investors and wealth advisers regarding the motivation to engage in microfinance can broadly be circumscribed by the concept of the double bottom line. With a commitment to microfinance, examined retail banks mainly appeared to react to a strong customer demand with the intention to enhance their CSR activities at the same time. Slight differences in motivations of investors were perceived, yet they entailed predominantly both social and financial objectives since microfinance was deemed unsuitable for one-side investment philosophies.

5.3.2. Mutual value creation

As far as value creation is concerned, the qualitative data show that investors and advisers generally had a positive attitude towards stakeholder contributions and interactions within the sector. With respect to the investigated network, a sense of mutuality was commonly expressed and the majority of respondents stressed the importance of strong local partnerships with their primary stakeholders. While collaboration with asset managers as critical partners were largely viewed as mutually favorable and fruitful, some wealth advisers identified minor challenges with the exchange of information and knowledge among bank-internal stakeholders as well as with regard to clients representing potential investors. In fact, the capacity limitations of wealth advisers related to competing investment topics was sometimes perceived to have an impact on the relationship between investors and advisers. Most prevalent in their perception was therefore the benefit and risk potentials related to information, communication and transparency. In the following, these central themes in the perception of this particular stakeholder group are discussed in more detail.

Local partnerships. Given their presence and embeddedness in the Swiss financial center, interviewed wealth advisers thought of mutual value creation in microfinance mostly in terms of local partnerships. On one side, respondents pointed to the importance of having professional and reliable partners with suitable investment solutions and an expertise in microfinance. Only with close thematic collaboration of local microfinance asset managers, wealth advisers, speaking on behalf of involved retail banks, felt that a serious microfinance commitment seemed possible and reasonable for them.

> It would have been a very difficult undertaking for us to become globally involved in this field on a stand-alone basis, plainly and simply because we don't have the experience therein. Accordingly, it was only logical to work with partners.

On the other side, interviewed wealth advisers expressed the need for an open-minded and forward-looking investor landscape that is receptive to new and innovative investment themes. In this respect, investors' demand and support in Switzerland was often considered as a characteristic feature and a decisive factor for the country's leading role in microfinance investments today. Provided that, consequently, both their primary stakeholders – asset managers and investors – emerged to a large extent from within the investigated stakeholder network, wealth advisers often showed a deep understanding of the local microfinance community and its network ties.

> The microfinance network is certainly a small community in Switzerland. People have frequent contact and know one another, which sometimes makes things easier and sometimes more difficult.

Assumingly, this was one of the reasons why respondents frequently highlighted the distinctive people involved in the sector when asked about the nature of stakeholder interactions. One interview partner, for example, referred to microfinance professionals as individuals that delve into the topic out of personal interest marked by emotionality and non-financial, rather than financial drivers.

> It is the people working in this field, which I find a laudable thing to do, who make it a very pleasant working environment.
>
> Coming from the financial industry, it seems to me less stressful, certainly due to the interaction among people. Individuals who work in this sector have an entirely different mentality.

As a consequence, the way in which these individuals interact as stakeholders with each other was mostly viewed as human, friendly and supportive, which was occasionally seen contradistinctive to the conventional financial industry. However, a few respondents put the light-heartedness of interactions into perspective or saw value creation increasingly jeopardized by early indications of competitiveness among stakeholders from the investor setting.

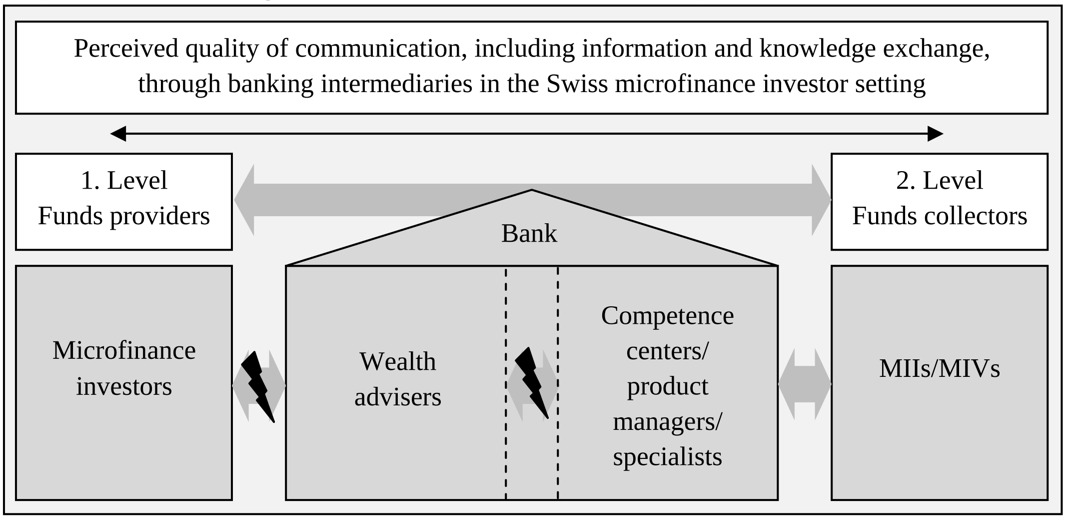
Competitiveness. Despite the predominantly positive perception of stakeholder interactions, experienced respondents sometimes voiced reservations about the actual state of value creation. Noting that mutual interests and strong partnerships should not obscure the underlying business mentality behind the involvement of many stakeholders, competition among them was thought to be increasing. Referring to microfinance investment activities in Switzerland in particular, interview partners already involved in the sector’s emergence felt that it was today a more competitive environment than a few years ago, not least due to the growing number of actors and available funds. Besides the many beneficial implications, some were worried that this trend could also have adverse effects on the way in which stakeholders interact and collaborate with each other. Therefore, value creation of the Swiss microfinance investment community might face greater challenges and new market-based risks in the future.

> At the beginning, in 2004, 2005, competitive thinking was less common, which made it possible to get to know each other very well – who’s doing what and where? This resulted in a strong network. …Now it’s rather a competitive business and competitiveness is more prevalent than before.

With respect to competitiveness among local stakeholders, respondents mainly stressed the need for maintaining strong social objectives, diversified investment opportunities and improved communication among stakeholders.

Communication and transparency. Most potential in value creation as perceived by investors and wealth advisers emerged from aspects related to communication, information and knowledge. Overall, a very balanced picture of associated risks and benefits was drawn. From wealth advisers' point of view, corresponding issues mainly concerned three types of interactions within the investor setting; their relationship with asset managers, with bank-internal stakeholders and with investors. While the first was almost invariably viewed as hugely satisfactory, potential for improvement was mainly seen in information and knowledge exchange with internal stakeholders and investors, as depicted in Figure 5-2.

Figure 5-2: **Exchange of information as perceived by investors and advisers**



(Source: own figure based on case study data)

On the one hand, the majority of respondents indicated relatively high contentment with the way in which information and knowledge was shared and exchanged by asset managers. The trend of extensive social performance reporting not only on the part of MFIs, but correspondingly also on the level of professional funders frequently came up as a highly relevant requirement that has been recognized and needs to be further developed.

> Some [microfinance asset managers] inform very well about what's going on exactly. Rather than telling this one marketing story to try to decoy people, they strive to inform them in-depth... Important is the breadth of transparency, so that people know what they are doing and don't run away immediately in sight of trouble.

On the other hand, some interviewed banking representatives who expressed communication as a critical factor, identified internal issues in this context. Depending on the degree of involvement of retail banks and the number of internal stakeholders that are concerned with microfinance as an investment topic, the major challenge of wealth advisers was located in the body of knowledge required to distribute and sell corresponding products. The difficulty was thereby to live up to the increasing information demand of investors, especially in times of controversy and uncertainty. Since wealth advisers are required to be knowledgeable about a wide range of investment subjects and products, their capacity to stay informed and equip themselves with in-depth knowledge about such a specific field was questioned.

> We also have several stakeholders within the bank, certainly all wealth advisers and product specialists, who are sort of gate keepers. We need them to understand the topic in order to be able to place it with clients. Otherwise we don't have access.
>
> Internally, wealth advisers have on the one side challenging clients to serve and on the other, product managers who approach them with certain topics to promote among clients. Wealth advisers thus need to filter or make some sort of selection, insofar as microfinance is somewhat competing with other subjects. It doesn't need to be like that, but just in the sense of their attention, the absorption of client advisers is limited. Above all, they need to understand the subject themselves within a limited time range.

Finally, a critical communicative dilemma mentioned by many wealth advisers involved the question of how informed and educated microfinance investors have or want to be about their investments. Considering the fact that different investors require a different depth of information on the investment, retail investors' access to information was thought to be limited to the aforementioned capacity constraints of wealth advisers as well as their preferences. Provided that investors have the desire to be comprehensively informed, many respondents felt that it would be favorable to have investors with a clear and comprehensive understanding of what they are investing in. Referring back to wealth advisers' associated responsibility, some expressed that adequate transparency was not yet fully given in every case. Additionally, reporting and investor education was rather seen as reactive, which was sometimes regarded as bearing further risks.

> Investors only hear what is being reported and I'm not quite sure if they always get all information in the right depth. This has several reasons; first, you cannot report everything, because certain standardization is required on the part of investment factsheets. There's also the situation that certain investment vehicles are not capable of doing so. The fund manager of a retail fund with thousands of investors, for example, probably doesn't even know who these investors are, because they're coming from around 3 corners; over independent wealth advisers, through bank partners or international distribution channels.
>
> The investment community in general, including microfinance, is rather reactive; they communicate when something has happened and not before. That's why investor education is such an important topic.

In this sense, the increased information demand of investors due to recent incidents have made the distribution of microfinance funds for banking partners even more challenging. However, respondents stressed the paramount importance of communication and transparency in order to prevent the investor setting from generalization, unrealistic expectations and hasty reactions and accusations in times of trouble. After all, educated and literate investors were perceived potentially capable of contributing to mutual value creation more effectively in the form of well informed investment decisions and activism.

As a conclusion of this section, investors and wealth advisers highlighted the local network structures of the value creation process and gave a fairly positive summary of related stakeholder interactions. At the center of their attention were the potentials related to information and knowledge exchange. Respondents particularly expressed the challenges in communicating with bank-internal stakeholders and investors in the process of distributing microfinance investment products.

5.3.3. Mission drift

Most of the interviewed advisers conveyed the impression of being relatively familiar with the mission drift issue and at least implicit awareness thereof was also ascribed to investors. The perception of advisers was thereby generally marked by a feeling for the translation of practical problems into investment risks, whereas the mediated view of investors was characterized by expectations and the controversial public discussion of related events. In fact, the mission drift issue for investors seemed to manifest itself in the divergence between their expectations towards supporting microfinance and the prevalent public impression about these operations. These thematic emphases in the respective stakeholder group's perception of the mission drift issue are more closely looked at in the following.

Raised expectations. According to a large share of respondents, the question of how commercial investors see the fundamental balance between social and financial objectives in microfinance was closely related to their expectations on such an investment. Concrete examples of financial objectives included a moderate and stable financial return on investment, minimal financial risks as well as portfolio management considerations that make microfinance investments financially attractive, such as low decorrelation and volatility. Overselling microfinance, for example, as "…the silver bullet against poverty" was consequently often considered dangerous. Awakening unrealistic expectations in the form of scenarios that are unlikely to occur was feared to be counterproductive in the context of such a sensitive and young investment topic, especially as it had come to rely substantially on the continuous support of commercial investors.

> It largely depends on what expectations are raised among investors… This is where the problem begins, what to promise? And that's why communication and a deep understanding of the topic are so important.

In response to these concerns, several wealth advisers stressed the need to communicate carefully and straightforwardly about the true impact and performance of microfinance investments. Similarly, interviewees thought it was central to react to the events and developments that recently emerged and inform about their background and causes in detail. Besides, the basic intention was sometimes considered to be a crucial aspect to inform about when communicating about the microfinance engagement of involved financial institutions.

> We never communicated our commitment aggressively. We always handled the topic very carefully and informed about it in a conservative way, since we knew that some people might wonder what a major Swiss bank is doing with microcredit.

Influence of media. While the particular stakeholder group was assumed to be informed rather by general media than by first hand information, especially investors were believed to be influenced by media coverage. The public debate and discussion in newspapers and online media about microfinance and the latest happenings were deemed formative for the opinions and decisions of private investors. As a result, the influence and power of the media was sometimes regarded with concern, also because media representatives were argued to "…control and filter the information perception".

> If investors gain the impression that everything is bad what is being talked about them, the industry and what they are doing, they may lose the courage to keep going.
>
> The media is incredibly powerful and if they want to destroy microfinance, they have a good chance to be able to do so, because after the private investor, the question soon comes up why the government should still support it.

An often-quoted example in this connection, which has recently led to uncertainty and distrust among investors, was the controversially discussed IPOs of MFIs. Whereas interviewed advisers generally evaluated these IPOs by adopting a differentiated view, it appeared less clear to what extent investors were able to properly assess these events based on the media-driven discussion.

> The mission drift debate came up again in 2009, 2010 with the IPOs and there was a time when it was unclear whether this was in accordance with the overall mission of microfinance... to go public is generally a good thing, it brings advantages for clients, but isn't it questionable to demand such high returns? What are the consequences in the breadth of outreach; what client segments are actually still being served? How profit-oriented do you want to be? And does it mean that the poorer or rural areas are excluded again?

In response to these events, an increased information demand was accordingly recognized by some wealth advisers on the part of investors, which was sometimes seen as a positive consequence of such events: "…the positive effect, on the other hand, is that investors ask more questions."

> Last year we have seen many negative headlines und clients did actually show a reaction and in some cases questioned the whole issue.

Investment risk perspective. Finally, wealth advisers perceived mission drift predominantly as an issue that is rooted in local microfinance markets and finds expression in bad lending or management practices of MFIs. In doing so, stakeholders from the investor setting were normally left out of consideration as potential influencing factors or locations of manifestation. However, advisers often showed awareness of potential spillover effects that follow from non-complying MFIs for investor-related stakeholders.

> The origin of the problem lies in a small microfinance bank somewhere in Africa for example… and if a fund from here in Switzerland gives money to that bank, the mission drift problem spills over to this fund.

> I see it much less among investors, because they work exactly with this conception of the double bottom line, so this would be against their original idea.

In view of the associated risks for the investor setting, interview partners frequently stressed the corresponding responsibilities of asset managers. The due diligence and monitoring of funded MFIs were thereby often highlighted as means to equally assure the pursuit of financial and social objectives.

> We need to be sure that the money is going to institutions [MFIs] that deliberately follow both agendas. Otherwise, our customers would approach us the next day and say 'look, you sold me something with a particular idea behind it and now it's quite something else'. We cannot afford this as a bank and that is why we are hypersensitive to this topic.

In summary, interviewed advisers seemed to be most concerned about the investment risks that an organizational mission drift of MFIs may bring and thus placed weight on a reliable and sophisticated investment process. Drawing a conclusion on the entire section, this stakeholder group's view of the mission drift issue and the underlying risks appeared to be largely media-driven. Advisers particularly perceived the spill-over effects of a refinance MFI's shift in the mission, while investors' perception of the issue was regarded to be depend on the related expectations to a large extent.

5.4. Perception of experts

As a third and last stakeholder group, the perception of microfinance experts located in Switzerland is portrayed in the following. Beginning with their view of engagement motivation, followed by their perception of mutual value creation and the mission drift issue, the analysis follows the same procedure as for the two preceding stakeholder groups.

From the case description in Chapter 2, Microfinance, it is apparent that this particular stakeholder group embraces a variety of individuals and institutions from a broad range of backgrounds. In a narrow sense, most of them are not directly part of the microfinance funding chain like asset managers or investors, but assume nonetheless important supportive and enabling functions in the value creation process of the investigated network and beyond. As seen by other respondents, the most outstanding feature these experts share in common was their commitment, knowledge and expertise in microfinance. Recognition was often ascribed to them for supporting the whole topic and rebalancing the interests in the investor setting. In a broad sense, one interview partner described individuals from this stakeholder group as follows:

> There's this group of professionals in Switzerland that pushes the topic forward. They have an interest and something at stake because they bring in competencies, know-how and experience, not only from their profession but also from life, such as numerous journeys to these countries. In my opinion, these professionals are the key stakeholders here in Switzerland.

Despite their embeddedness in the investor setting and awareness of Switzerland's significance in this respect, experts generally had a holistic long-term perspective of microfinance. For most of them, the provision of financial services to the unbanked poor was not primarily an investment theme, but according to their function, an area of development cooperation, a downstream service industry or a field of research. In other words, a commercial approach that includes cross-border investments was regarded much more as a typical phase of a maturing sector, hence viewed from a more distant standpoint. Although many experts shared the view of NGOs, not-for-profits or government interests, the majority of them was, in principle, expressly supportive of commercialization and private sector involvement and perceived these trends as a crucial means to foster growth and innovation. Consequently, satisfaction was oftentimes expressed about the general direction the microfinance industry is heading. Moreover, the perception of this stakeholder group was characterized by awareness of the sector's historical roots, appreciation for different mindsets and opinions as well as a focus on collaboration between private and public stakeholders, as discussed in more detail over the next paragraphs.

5.4.1. Engagement motivation

The case study data show that members of this stakeholder group brought forward a number of different interpretations about the motivation to engage in microfinance, which is largely attributable to the diversity of institutional backgrounds and specific roles. As a result, no clear and distinct group perception emerged from collected evidence in this context. On a broader level and with respect to the other stakeholder groups, however, experts frequently argued from a development perspective in support of microfinance and seized on the idea of poverty alleviation.

Development focus. Interviewed experts tended to locate microfinance in a wider development context and similarly recognized its impact on a social and an economic level. More concretely, some put greater weight on its potential to induce social change such as the empowerment of women or capacity building of poor people in general, whereas others rather stressed its potential to foster economic progress like the development of financial or labor markets. Most respondents of course combined these arguments in one way or another. For example, one respondent, who has accompanied the movement's emergence from the outset, took fundamental social transformation in connection with economic inequality as a rationale for action in the area of microfinance.

> We clearly have a change in society that we need to take account of. We cannot continuously count on growth and maximization; we never could, but not everyone knows that. And we cannot continuously be spoiled on our half of the planet; we belong together and if it doesn't work on one side, it neither works on the other.

From a rather distinct economic perspective, another interviewee stressed the importance of institution building and financial market development in these countries, when asked about the main driving force behind microfinance.

> In many of these countries the financial market is very, very small. Only a small share, the top class of the population in terms of income and the top organizations are being served. So there is room to develop these financial markets and build up institutions that serve middle and low income classes, small- and medium-sized firms and micro enterprises.

In a similar vein, but from a more entrepreneurial perspective, one respondent argued that microfinance must be of interest for western industrialized countries due to its ability to nurture future markets.

> Our markets are shrinking, which means we should have every interest in building and stabilizing markets that potentially become our future markets. And therefore we do absolutely have a personal interest in microfinance.

In sum, most experts located the prime interest to engage in microfinance within a combination of social and economic development. Based on that fundamental orientation, more specific angles and motivational factors were sometimes brought forward by individual respondents. Whether the engagement was attributed to a church-based mission, governmental interests, personal commitment in the form of a 'helper syndrome' or scientific curiosity, the range of interests and motivations was often felt to be widening by interview partners as a consequence of the sector's expansion.

Poverty alleviation. A striking number of respondents placed value on the movement's path dependencies and reflected the sector's status quo in the light of the original model. Awareness was frequently shown of the historical roots of microfinance, the nature of its emergence and the corresponding shift in approaches over time. Many felt the urge to remind that the provision of microcredit was grounded in a social mission and based on associated institutional structures: "…the history has given microfinance institutions a social purpose to care about the poor that are left behind by the normal financial market". As a result, the original aspiration of pioneers to alleviate poverty was often referred to and sometimes brought into question. On the one hand, the qualitative data indicate that the claim of microfinance to alleviate poverty was firmly anchored in the perception of stakeholders that are primarily concerned with the development dimension. As an example, microfinance was often described as "…one of the various tools to reduce poverty" or an instrument with the potential to pursue "…poverty reduction on a large scale." Consequently, the fight against poverty appeared to represent a mutually shared, overarching and historical concern from which many public and governmental stakeholders derived their principle motivation for their commitment. On the other hand, when experts referred to poverty alleviation, they mostly did so in connection with deliberations on the movement's origin, namely pioneers, early NGO's and not-for-profits that relied heavily on this argument in pursuit of attention in order to get the movement going. Against the backdrop of contemporary developments and the increasingly prevalent business motivation, however, respondents sometimes expressed reservations and concerns about the adherence to this argument.

> The question of whether microfinance really continues to be a relevant strategy for poverty reduction has also undergone quite a change over the last 10 to 15 years. In the early 1990s there was a tendency to exaggerate the benefits of microfinance, to the point where it was considered a wonder solution that would have an immediate effect on poverty and all types of low income people. Since then, the argument has become a little bit more

> differentiated… The general consensus now is that microfinance has at least helped to stabilize and reduce the progression of poverty.

In essence, interviewed microfinance experts expressed views of the motivation to engage in microfinance that were rich in variety, yet mostly entailed a broad development focus, rather than an investment focus. This stakeholder group particularly showed awareness of the movement’s path dependencies and the original aspiration of microfinance pioneers to fight poverty. These first insights on experts’ perceptions lead the way to analyzing their understanding of mutual value creation.

5.4.2. Mutual value creation

Provided that the investment activity was usually not at the forefront of experts’ interests, they generally demonstrated an industry-wide understanding of mutual value creation and commonly highlighted the roles of actors from the MFI setting and the public and non-governmental sector. Besides, respondents often conveyed a sense of the dynamics in network interactions due to their long-term view and were sensible about the diverse conceptions involved people and organizations had about microfinance. A related aspect of value creation frequently mentioned was concerned with the way in which private and public stakeholders interacted with each other. Interview partners thereby often reflected on the two sectors’ complementary roles and their coordination. Finally and beyond the potentials generally ascribed to information and communication, experts mainly detected potential risks and benefits for value creation on the level of MIVs and their capability to influence how microfinance markets grow and service providers on site act with respect to clients.

Plurality of opinions. Above all, experts’ perceptions of mutual value creation were marked by respect for different opinions and approaches towards microfinance. Arguing that stakeholders with different interests have different ideas of how to achieve the overriding goals most efficiently, many respondents valued the diversity and pointed out some distinct advantages thereof. Among others, the potential for increased innovation and diversification was often associated with a broadening spectrum of views. However, a necessary condition for tapping these potentials was thought to be a continuous and constructive dialogue between stakeholders.

> There are public agencies involved in this, there are investors involved in this, all of these people have an interest in microfinance – so there is not just one approach or one model of microfinance.
>
> Different views and opinions are needed. The whole topic is based on this plurality and the existence of stakeholders who challenge and force others to think about it. I believe microfinance is today what it is and has achieved so much also because there has always been a constructive dialogue between stakeholders.

In this respect, a few respondents explicitly stressed that the same openness and acceptance should be granted to the motives of commercial investors; "There are several motives for investing in microfinance and the one is like the other, legitimate and human, which needs to be accepted." Similarly to their representation of diverse backgrounds, experts, in this sense, acknowledged the existence of different possible paths towards the fulfillment of mutual objectives. Therefore, notwithstanding the appreciation of a plurality of opinions, respondents from this stakeholder group largely shared the underlying core values and agreed upon the main purpose of microfinance.

Value creation between public and private stakeholders. Experts from the public sector generally adopted a positive attitude towards value creation within the studied stakeholder network. With respect to stakeholders from the corporate sector, appreciation was shown for their achievements and contributions, not only in the area of microfinance, but in the wider domain of development assistance; "…the private sector is basically the engine for all development areas." In fact, private sector involvement often stood for efficiency and professionalization in the eyes of interviewees and thus a critical success factor for the industry; "…good results can be achieved relatively quick, since one not only has to work together with state actors, but increasingly also with private actors." In contrast, purely state-run initiates were sometimes felt to be lacking in control and effect; "…wherever governmental actors are involved, it's getting tricky with governance questions and efficiency." These arguments in favor of combined forces were largely underpinned by references to successful forms of institutionalized cooperation such as PPDPs; "…we have several public private development partnerships with social investors..." As a result, there was consensus among experts that the collaboration between these two parties was fruitful and resulted in a superior level of mutual value creation within the analyzed stakeholder network.

On the opposite side, professionals from private business sometimes considered public stakeholders and particularly the development community as a critical instance for maintaining the social mission of microfinance in a setting increasingly dominated by private organizations. Acting as guardians in a positive sense, the corresponding role of public players and involved NGOs was to take a critical stance towards commercial investment activities and scrutinize practices that may lead to higher risks for the sector as a whole. Accordingly, challenging private stakeholders in a constructive and mutually beneficial way was felt to be part of their collaboration.

> In Switzerland there are of course the broader public, the state, development aid organizations and development specialists, who have extensive experience and are necessary as critical stakeholders, so that not any speculative financial institution can come and just try to turn it into a big business.

As a drawback with regard to collaboration and coordination between the two sectors, some experts pointed towards the absence of an appropriate country-based industry platform. While respondents from the private and public sector noted this deficiency equally, the lack of an efficient industry association was deemed to reduce the ability to further align interests and to speak with one voice to outside parties.

> What's a little bit disturbing is that it hasn't been possible in Switzerland to establish an effective platform, because wrong steps from wrong actors have blocked everything.

Concerning the potentials of mutual value creation, experts also most commonly perceived information, communication and knowledge as fundamental factors.

Apart from that, the data indicate that respondents from this stakeholder group notably put emphasis on the risks and benefits related to the influencing capability of key stakeholders.

Influencing capability. Interviewed microfinance experts often mentioned asset managers as being the key stakeholders when it comes to value creation beyond the investor setting. On the benefit side, asset managers as investment intermediaries as opposed to individual investors, particularly retail investors, were thought to have the necessary connectivity and influence on local microfinance markets to make a difference in the way in which value is created. By funding a set of selected MFIs, asset managers were, among others, considered to "…indeed have a positive control function."

> …they [asset managers] gain increased market power insofar as they have the possibility to influence institutions that are being funded. That has always been like that, earlier on, this were the big public funders. If they have sent an expert team to examine the institutions in order to make a so-called appraisal-report, the management of the institution usually regarded and used this as a consulting visit, if the expert team was good.

On the risk side, however, respondents also took account of the possibility that MIVs had negative effects on microfinance providers. Besides the general risks related to the misuse of market power, an often mentioned concern was that commercial funders potentially put too much pressure for growth on refinanced MFIs: "…capital always generates certain pressure". Explained by "…an investment vehicle's constraint to allocate funds in order not to become overly liquid while the investment interest is growing and growing", the possibility of negative consequences for various stakeholders was not ruled out by a few interview partners. While the market power tended to be perceived as decreasing, the pressure for growth was often felt to be rising due to the fact that the number of MIVs was growing faster than the number of investable MFIs.

> I can certainly see the negative effect of too rapid, too massive and too pushy intrusion of private sector investors changing the business model of the major microfinance institutions in some countries.

> There might be a certain risk that certain investors are too aggressive and are pumping too much money in these markets. We try to position ourselves in this regard as a very responsible investor too.

Another concrete example of how cross-border investors were perceived to potentially have an adverse effect on MFIs was the currency risk. According to some interviewees, currency risks have until recently been borne by microfinance providers, and were thus transferred to the microfinance setting and their clients in the end. Only lately were asset managers said to become able to hedge local currencies and hence assume these risks for the benefit of MFIs.

Finally, international rating agencies specialized in microfinance were also sometimes considered to have a significant capability to influence other stakeholders. The growing trend of rating MFIs was mostly portrayed in a positive light, but at the same time caused worries about increasing pressure along financial indicators.

In brief, experts indicated awareness and showed respect for plurality of opinions and views of stakeholders combined in the microfinance community. Due to their specific institutional backgrounds, respondents from this stakeholder group accentuated the interactions between the private and public sector. The value creation potentials related to the influencing capability of MIVs, as critical actors in the microfinance value chain, but also of rating agencies was strongly perceived by expert interview partners.

5.4.3. Mission drift

In this last section, experts' view of the microfinance mission drift issue is analyzed and described on the basis of thematic emphasis. Similar to their perception of the value creation process and motivation, they generally shared an open-minded and multi-faceted perception of the issue and its characteristics. Most of them were markedly knowledgeable about associated events and debates. In common with other stakeholder groups, experts also held the fundamental belief that social and financial objectives were compatible and in the sense of commercialization, in principle, favorable for the sector's development. Even professionals from the public sector largely supported commercial approaches: "…microfinance needs to be based on a clear commercial foundation." Characteristic for this stakeholder groups' perception of mission drift was further the tendency to blend different viewing angles, the crowding out topic being seen as a critical instance for the investor setting and the basic questioning of narrow-minded negative attitudes towards the issue in general.

Varying points of view. Experts approached and saw the mission drift issue from different angles. Interpreting the term quite literally, in the form of "…the mission that once existed does not exist anymore" or "…a deviation of the originally defined overall objectives", the majority of respondents chiefly implied an institutional, as opposed to a sector-wide nature. From this point of view, they mostly agreed on the fact that it would be very hard to judge whether a single institution had experienced a mission drift, especially for outsiders, and that a deep understanding of individual circumstances was inevitable. With a clear focus on MFIs, a range of possible indicators, measurement parameters and implications were typically discussed, while for certain experts it seemed to be clear that the level of interest rates or loans was insufficient to evaluate whether mission drift has occurred or not. One possible manifestation that came up more frequently than others was the practice of consumer lending: "…as soon as it becomes too commercial, the trend is towards consumer lending."

In connection to the scattered attacks of critics regarding events like IPOs and overindebtedness, which were most often felt to be only partly justified, some respondents nonetheless expressed the feeling that a few MFIs had taken it too far in the past and may have lost sight of a healthy balance. In response, it was sometimes thought to be necessary to fundamentally reconsider and draw lessons from these incidents for the good of the sector.

> We need to find the way back to moderation again. It [the microfinance crisis] has shown us that we might have become somewhat boundless in certain areas. And there has been a reaction in

> these areas. I believe this development needs to reach a plateau again, so that we can keep on making progress.

In this sense, the institutional focus did not imply that respondents ignored the wider significance of the issue and some also came to reflect on its impact from an industry-wide perspective. Given their rather long-term thinking, experts usually placed the issue in the context of the processes and changes microfinance has gone through over the past two to three decades. Recognizing that "…the mission of microfinance has diversified over the years", experts frequently put this mission into perspective. One respondent, for example, noted that the grounds for related criticism may also have become more evident as a consequence of the diversification. In a similar vein, another interview partner elaborated on this thought and specifically referred to the broadening of funding strategies.

> Of course, the cloud is getting bigger, which means that the ones who entered microfinance right from the beginning might be aghast when looking at the range of financial instruments available today. Then, one has to say, yes, the market has indeed evolved, but it is not that the approaches are mutually exclusive... the clientele of the one is not automatically the same as for the other.

With a focus on the investor setting, the problem of crowding out received noticeable attention in experts' deliberations and is thus more closely looked at in the following.

Crowding out. An issue often associated with mission drift, but also mentioned in the context of mutual value creation, represented the situation in which international development banks were regarded to be crowding out commercial investments by means of large-scale subsidized funding activities that were not market-conform.

> What public development banks are doing is a bit of a problem, because governments miss out on making sure that the private sector is not cut out, but to the contrary, incentives are made in order to get the private sector more involved. Based on the strong role of Swiss actors, one is more sensible about this situation here in Switzerland, but overall it is still highly inefficient.

> The driving force behind the key risks in microfinance for the next two years is the impact of the current over-supply of subsidized funding in a range of important markets.

Crowding out was accordingly not perceived as a problem arising from within the investigated stakeholder network, but one that emerged from the international stakeholder environment, thus a general issue for private investments in microfinance. The troubling aspect with regard to mission drift was related to the opinion that DFIs and IFIs inadequately translated their original mission into practice, even if this would have had positive effects.

> The limited public resources can then be employed for capacity building or held back in the long run for purposes that need social welfare and not spent on a practical extension of financial services operations that would be self-financed thanks to the collaboration and coordination with social investors. The public sector needs to adapt in this regard as well and decidedly get the private sector involved, rather than the opposite.

The concerned public stakeholders were regarded as having an important complementary role for responsible and sustainable development of the commercial market: "…on the one hand, a clear support of commercialization through capacity building and so on, but on the other hand, to influence the market through higher transparency." Transparency seemed to be of particular importance in this regard, since it would add considerably to a positive configuration of the investor setting.

Neutral approach. Some experts finally questioned the purely negative associations attached to the mission drift issue in microfinance. Without arguing that there are no risks or negative consequences involved, they felt it inappropriate to categorically dismiss a shift of the mission as an adverse effect, especially since the sector's commercialization has led to a growing diversity of approaches and models subsumed under the term of microfinance today. Consequently, one respondent advocated a more neutral fundamental attitude towards the institutional form of mission drift: "theoretically, it has to be seen relatively neutral, because one has to consider how the original objective of an institution is defined." Some respondents even went one step further and argued that a shift towards a wider range of objectives is to a certain degree part of the market development: "…the coming of age, you might say, of a topic and later maybe even an asset class; that is what I understand of mission drift.

> One can phrase it [mission drift] negative or positive; I wouldn't phrase it in a negative sense - meaning to turn the back against what originally has been wanted - but rather that it is part of the market's evolvement. The market is not pure philanthropy anymore, as it had been before… but the market should neither be completely commercial. It has to be somewhere in between and the 'in between' needs to be respected in the mission drift debate...

One respondent continued by instancing the upcoming trend of refinancing MFIs in local, rather than hard currencies. Therein, a positive version of institutional mission drift of asset managers was perceived that generally yielded favorable outcomes for microfinance service providers.

> One could argue that the situation of excess demand has forced them [microfinance asset managers] to develop new mechanisms that are in the end more social than the ones before... and that is a positive mission drift.

Finally, the sector's development with respect to the risks and challenges subsumed under the issue of mission drift was still felt to go in the right direction by many: "A new understanding has emerged to monitor social objectives and their implementation on a frequent basis." Therefore, the basic sentiment was that lessons had actually been learned from recent developments.

Before proceeding to the comparative perception analysis, a brief conclusion is drawn on this section. Swiss microfinance experts approached the mission drift issue from a wide array of standpoints and often alluded to the widening diversity of opinions and philosophies in general. In addition, respondents from this stakeholder group particularly highlighted the crowding out problem as a related concern of the investor setting and fundamentally questioned a sole negative connotation of mission drift in microfinance.

5.5. Comparative analysis of stakeholder perceptions

So far, the individual perceptions of the three predefined stakeholder groups have been described and analyzed along distinctive themes that emerged from the qualitative data collected for this case study. On the basis of this perception analysis, a cross-comparison is now drawn in order to identify similarities and differences. As a reminder, the concrete subsidiary research question that is addressed thereby reads as follows:

> *What are the similarities and differences in these stakeholder perceptions?*

Despite the noticeable thematic emphases in perceptions, summarized in Table 5-1, the investigated stakeholders share much in common in the way they understand and view the areas of interest in this investigation. Only subtle nuances and tendencies point at variations in perceptions, whereas substantial distinctions neither become evident across stakeholder groups, nor among individual respondents in this study. In view of these preliminary insights, the following paragraphs unfold the major parallels and distinctions in stakeholder perceptions on a higher and more conceptual level of analysis.[52] Eventually, the guiding research question is addressed.

5.5.1. Similarities in perceptions

In a broad sense, the perception analysis reveals that stakeholders from across the network agreed largely on some fundamental principles in microfinance. Not only does the empirical research yield an almost identical picture of basic convictions and motives for engaging in microfinance, but it also brings to light a consistent positive appraisal of how value creation takes place within the setting. As a consequence, many commonalities are recognizable also in how these stakeholders perceive the mission drift issue. Against this background, the essential similarities of stakeholder perceptions with respect to the areas of interest are elaborated in the following.

[52] The following analysis is mainly based on code frequencies listed in Appendix B.2.

Stakeholders' engagement motivation. Stakeholders from across the network shared a broadly similar notion of the principle reasons for becoming involved in microfinance. The underlying rationale invariably rested upon an overarching belief in the microfinance concept, because it has proven to be a financially viable instrument with the ability to produce socio-economic impact on a large-scale. While the impact dimension was typically taken as a distinguishing feature of intrinsic value that equips stakeholder contributions with a deeper meaning, the financial dimension made an involvement of the particular stakeholders in an instrumental sense possible in the first place and thus represented a critical means to an end. The fact that this blended value model performed surprisingly well over the last years in the eyes of most stakeholders, reinforced their motivation for continued participation.

More specifically, the perception analysis has shown that the motives of stakeholders to get involved were closely related to their notion of the mission behind microfinance. While a range of mission-related aspirations came up in the evidence, as discussed later in more detail, two concepts equally stood out in the perception of practically every stakeholder: financial inclusion and poverty alleviation. Regarding the former, the rationale behind providing access to financial services for the underserved poor represented the most prevalent and concrete driving force for their engagement. Poverty alleviation, in contrast, was understood as a more distant and traditional mission to which the contribution of microfinance was knowingly controversial. As a consequence, the claim to reduce poverty was not only deemed rather inadequate to stand for contemporary microfinance structures, but also as dangerous to hold on to. Thus, stakeholders usually addressed the notion with caution and reservation. In conclusion, financial inclusion represented a more immediate and realistic aspiration than poverty alleviation, since the latter was often tainted with a vast array of other, endogen influencing factors and the risk of raising exaggerated expectations and hence ground for criticism.

Furthermore, besides a common focus on primary stakeholder relationships, perceptions of the engagement motivation were commonly characterized by an explicit focus on the unbanked poor as the end clients in microfinance. Although the studied stakeholders from the investor setting normally only posses indirect ties to end clients from a value chain perspective, the majority of stakeholders nonetheless attached special importance to a clear client focus of their efforts and, in doing so, conveyed what they believed microfinance was ultimately all about.

Mutual value creation. Respondents throughout the network had a relatively positive impression about the way in which stakeholders interacted with each other and value was created. Major similarities ascribed to involved individuals and institutions mainly included favorable characteristics like a sense of mutuality and partnership, professionalism and efficiency as well as a farsighted and responsible manner to strive for growth and progress. As a consequence, benefit potentials in value creation were more pronounced in the data across stakeholder groups than risk potentials. Beyond that, the former were rather perceived as arising from within the investigated network, whereas the latter were rather associated with outside events and stakeholders external to the specific investor setting. Although, respondents usually concentrated on concrete dual stakeholder relationships, they nonetheless demonstrated an ability to think in terms of network interactions within and beyond the specific setting.

In particular, the case study suggests that the major benefit and risk potentials in value creation are related to the exchange of information and knowledge, and thus communication among stakeholders. Network participants equally apprehended this area as most critical at the time of this research. A basic explanation attempt for why related topics were rather seen in a positive light provides the following statement, which holds true for the opinion of most respondents:

> People are open, ask questions, share information and enable education. That is something very specific for young topics. Everybody knows that it can only flourish if know-how is shared and others are educated. That is exactly what is happening in microfinance; people talk about what they do, because they like to do it, but also because they know it is the only way for others to become aware.

However, the prevalence and importance of communication among stakeholders can be further explained by the current state of the sector. Referring to the first series of adverse events in microfinance, stakeholders reported that the main lessons to be learnt were located in more sophisticated and institutionalized ways to exchange information, communicate and collaborate. While many argued that much was being done already, the general sentiment, on the one side, was that the microfinance community got something positive out of the experiences made in this connection. For the particular stakeholder network, the happenings seemed to have increased the cohesion and the willingness to intensify communication and collaboration. On the other side, most stakeholders indicated a similar degree of concern about reputational damage from these troubling events, which also implied a need for enhancement in this area. Since weak spots in the sector were revealed, stakeholders felt obliged to address these challenges and voluntarily introduce, for example, appropriate reporting standards or client protection principles. Finally, associated topics like transparency and regulation also gained weight according to respondents, which was accordingly highlighted in the data.

Mission drift. In view of the fact that commercialization and private sector involvement were almost exclusively seen as advantageous trends, recorded stakeholder perceptions of mission drift had a basic orientation in common. As respondents mostly shared a distinct practical understanding of the theory-based notion, they exercised caution when delivering judgment and typically advocated a differentiated consideration that lives up to the diversity of models and geographical contexts prevalent in microfinance. Hasty conclusions about the systematic occurrence of institutional and industry-wide mission drift were consequently often associated with poorly founded criticism or limited depth of knowledge about the sector.

First and foremost, mission drift was primarily regarded as a direct risk of MFIs and, in turn, hardly as an organizational issue for institutions within the investigated network. Broadly speaking, it was considered ineligible for the observed stakeholders to deviate from their basic mission and abandon the equilibrium between social and financial goals for several reasons. The prime reason for asset managers, for example, was that this precise combination marked the inherent attractiveness and distinguishing feature of their products. With respect to investors, more attractive alternative investments at either end of the continuum were said to be available. Also, technical factors specific to microfinance investments such as lock-up policies, which guarantee investment vehicles' liquidity, were cited as a reason for why one-sided interests and any sort of mission drift induced by short-term and profit-oriented investors would essentially be of no concern. Therefore, respondents felt largely confident that chiefly like-minded individuals and institutions with intrinsic motivation and sincere interest in both, a financially viable sector and large-scale socio-economic impact were involved in the value creation process of the specific stakeholder network.

Nevertheless, the various stakeholders were widely aware of the various challenges and tensions accompanied by the dual value proposition inherent to microfinance. There was a consensus among respondents that mission drift does find expression, in one form or another, in practical problems within local microfinance markets. Also their consequences on the entire value chain, and end clients in particular, were widely noticed. In the majority of cases, these challenges were, however, turned into positive reactions. For instance, respondents reported that stakeholders had become more sensible of their corresponding roles and responsibilities and hence more attentive and determined to mitigate the risks that refinanced MFIs deviate from their declared mission, which was often stated to be a criterion for the investment decision in the first place.

A final major similarity with respect to the mission drift issue emerges from stakeholders' risk perception.[53] The qualitative data show that risks were often mentioned in connection with growth, suggesting that stakeholders also perceived the vigorous growth of the sector over the last years with mixed feelings. Whereas

[53] This section of the data analysis is based on co-occurrences of the codes PC_MF_Growth, PC_MF_ Risk and PC_MI_Risk as shown at the end of Appendix B.3.

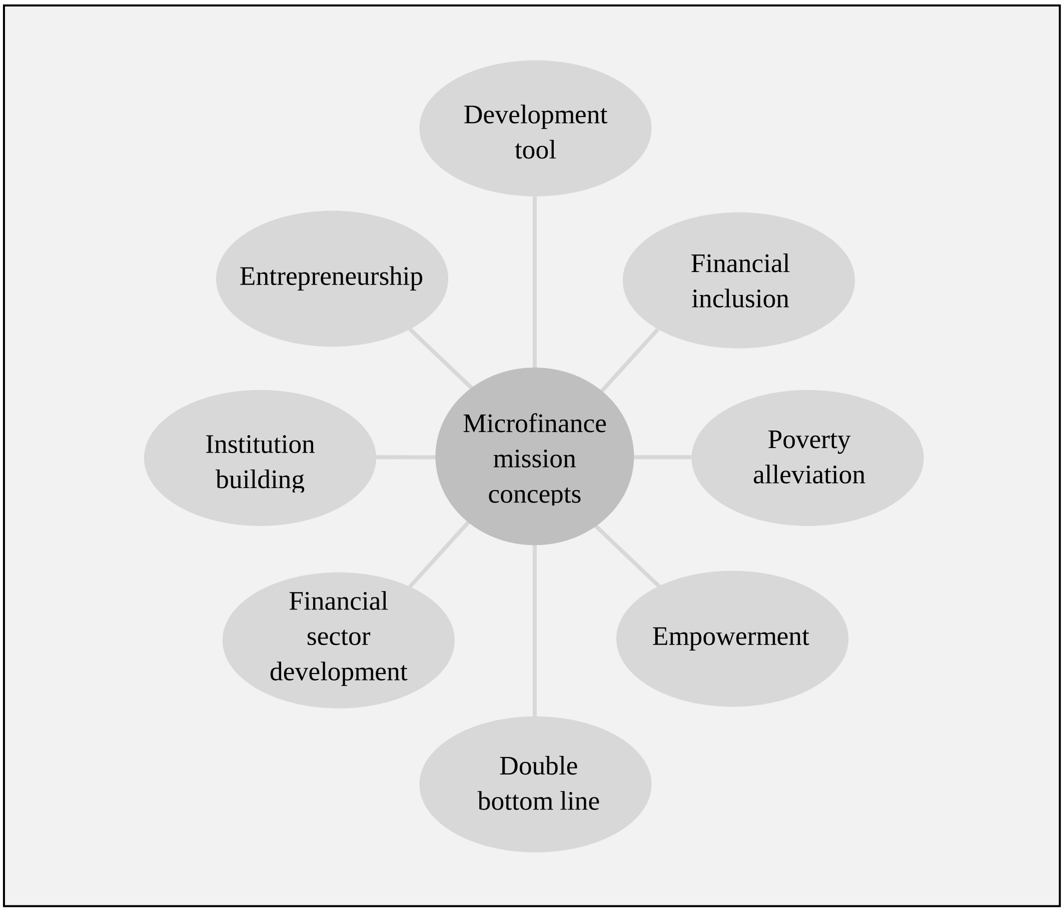
the global financial crisis was rather thought to have had an accelerating effect on the progress of the sector due to an increased inflow of funds, the ensuing controversial events in the sector itself were mostly perceived as warning signals for the risks involved. Most stakeholders thus referred to the latest developments as, in fact, a beneficial period and expressed satisfaction with how well the whole sector coped with the consequences. In this sense, the tenor of outlooks for microfinance, including commercial investment activities, was for the most part positive, insofar as more moderate and healthy growth than in the previous years was expected.

5.5.2. Differences in perceptions

Despite the broadly similar fundamental attitude of stakeholders, a few nuances and slight differences in their perceptions have become apparent. Above all, the distinct interests, institutional backgrounds and sector affiliations of the various respondents find expression in case study evidence. Depending on their corresponding main interests in microfinance, the motivation for an involvement, the priority of relationships with other stakeholders as well as the risk and benefit potentials were interpreted accordingly, which eventually also had a bearing on how the mission drift issue was perceived. Since the preceding thematic description of stakeholder group perceptions has revealed these relevant tendencies to a certain extent, this section focuses more closely on the contrasting elements and analyzes them on a higher conceptual level.

Stakeholders' engagement motivation. Differences in stakeholder perceptions of the engagement motivation crystallize when examining respondents' deliberations on the microfinance mission more closely. Beyond financial inclusion and poverty alleviation as the most prevalent aspirations, further mission-related notions accounted for stakeholders' dedication to microfinance. Some of these conceptions were weighed by stakeholders to varying degrees. Investors and advisers, for example, placed special emphasis on the investment-related concept of the double bottom line, which was hardly ever considered by experts. In contrast, experts did not share the same focus on investments as the other two stakeholder groups and rather gave priority to more general and development-oriented objectives in microfinance. Experts also showed increased interest of the instrument’s capability for institution building and financial market development, which in turn seemed to be hardly of interest for investors and advisers. Figure 5-3 summarizes and illustrates the recorded mission conceptions, which, in broad sense, also reflect and are more concrete examples of the social impact objectives of the examined stakeholders. However, the figure does not reflect the relative frequency of hits in the data nor the fact that single notions were sometimes viewed as nested within each other, overlapping or hierarchical in a broad sense. Finally, the data in this study do not permit a concrete allocation of mission-related concepts to single stakeholder groups, since differences in perceptions in this regard were minor.

Figure 5-3: **Overview of microfinance mission conceptions**



(Source: case study data)

In summary, the perceived motives of individual stakeholders were, apart from personal beliefs, noticeably informed by their primary interests in microfinance, which also holds true for the perception of risk and benefit potentials in mutual value creation, as elaborated next.

Mutual value creation. Variations in perceptions of mutual value creation were largely confined to how the inherent potentials were assessed. Although stakeholders overall took a broadly similar view of the major risks and benefits within the investigated network, the perceived shape of a certain potential sometimes differed slightly among stakeholder groups and some potentials appeared to be more stakeholder-specific than others. For example, the threat of adverse interventions of financial market authorities and regulators were most stressed by asset managers, since their survival was directly dependent on an enabling regulatory environment. Investors and advisers, on the other side, pronounced concerns related to communication and information more strongly than others, as they seemed to be more reliant on indirect information channels like the media. In this context, asset managers had a markedly positive view of the information potential and often referred to the encouraging efforts that were being undertaken. Finally, experts were more aware and critical about the influencing capability of asset managers and the investor setting, assumingly due to their relative distance to investment activities and their holistic perspective on microfinance, than the other two stakeholder groups who had quite a balanced view of this specific potential. These examples imply that also stakeholder perceptions of benefit and risk potentials in value creation were marked by focal interests and interrelations to a large extent.

Furthermore, slight distinctions have become evident when analyzing stakeholder perceptions with respect to the network view. In relative terms, the degree to which respondents thought of their interactions with other stakeholders as a multilateral or dual relationship varied slightly. In fact, investors and advisers tended to grasp stakeholder interactions as dual relationships whereas asset managers and experts were more prone to think of their stakeholder environment in terms of network interactions. However, all three stakeholder groups indicated the ability for network thinking.

Mission drift. Provided that mission drift was primarily seen from an institutional perspective, the studied stakeholder groups tended to bring events and developments that led to controversy in the sector into connection with the issue with varying strength. More precisely, asset managers were generally knowledgeable about the various occurrences that can be subsumed under the recent microfinance crisis. Nonetheless, asset managers mainly highlighted concerns associated with the MFI setting, such as overindebtedness, bad lending practices, the Andhra Pradesh crisis and IPOs of MFIs. They also referred occasionally to the tendency towards consumer lending when asked about concrete manifestations of the mission drift issue. Since these developments were thought to have unfavorable consequences for clients, which harm the entire industry, asset managers placed great emphasis on client protection. In contrast, investors and advisers less frequently referred to these events and rather pronounced the risks of a mission drift and related practical problems in the investor setting, particularly the crowding out issue. Experts finally showed again very balanced awareness of all recorded adverse events and developments related to the mission drift issue.

Moreover, microfinance experts in this study set themselves slightly apart from other stakeholder groups, insofar as they tended to open up new perspectives and also think of mission drift, for instance, as a subject that goes beyond organizational relevance and negative associations. As most of them appeared to be acquainted with the intellectual debate on the issue, experts were generally able to switch between different points of view and develop a feeling for the long-term changes in the microfinance industry. In doing so, they also demonstrated increased tolerance towards more extreme views. Some experts, for example, indicated a certain understanding for the feeling that microfinance has experienced a shift towards financial performance at the expense of social impact in the course of its commercialization. Yet, arguing that there are always extreme views, to the same extent as there are always rogue firms if something is successful, experts remained confident that commercialization first and foremost promotes the social impact of microfinance

Finally, the data indicate that the way in which the mission drift issue was perceived was also dependent to a certain extent on individual respondents' state of knowledge about microfinance. Due to the fact that microfinance was not the sole or primary focus of interest for a number of interviewed stakeholders, some seemed to be more familiar with the various facets of the issue than others, which had an influence on the statements from which their perceptions were derived. As a conclusion, it can be noted that the differences in stakeholder perceptions of the mission drift issue were minor and the variations also emerged from the distinctiveness of stakeholders rather than their basic attitude towards it. The major similarities and differences in stakeholder perceptions as discussed in this subchapter are summarized in Table 5-2.

Table 5-2: **Overview of major similarities and differences in stakeholder perceptions**

Similarities	**Differences**
Engagement motivation	
Strong belief in the model as the principal reason and aspiration for becoming involved in the microfinance sector	More nuanced notions of microfinance mission serve as motivation to engage in mutual value creation
Mutual value creation	
General positive appraisal of mutual value creation in the particular stakeholder network	Stakeholder-specific interests in mutual value creation process of the microfinance investment sector
Risk potentials emerging rather from outside the particular stakeholder network	Selected benefit and risk potentials in mutual value creation
Microfinance asset managers as key players due to their bridging function	
Mission drift issue	
Awareness of concerns related to microfinance mission drift and related roles and responsibilities	Specific practical understanding of mission drift issue
Not a direct issue of concern for stakeholders from the examined network due to various reasons	Perception of events and developments in the microfinance markets that can be related to mission drift
Support of responsible and balanced commercial approach towards microfinance investment	State of knowledge and actuality on the topic of microfinance mission drift

(Source: own table based on case study data)

5.6. Implications of stakeholder perceptions for mutual value creation

Up to this point of the data analysis, stakeholder group perceptions were analyzed along thematic emphases and subsequently compared in order to identify the similarities and differences. Thereby, the various analytical procedures have yielded answers to the subsidiary research questions of this study. On the basis of these previous empirical insights, the guiding research question, recalled below, is now addressed.

> *What implications do similarities and differences in perceptions among stakeholders from the Swiss microfinance investment network have for mutual value creation?*

Judged by stakeholder perceptions of the mission drift issue, the influence of the particular investor setting on mutual value creation beyond network boundaries is in the following evaluated. In doing so, the analysis draws heavily on the similarities and differences in perceptions introduced earlier, while at the same time taking further evidence into consideration. In the upcoming section, the common ground of the stakeholder network is first interpreted in light of sector-wide implications. Then, the differences in perceptions are re-examined for their wider impact. Finally, shared characteristics and mutual efforts of the specific stakeholder network are taken into account for further clarification with regard to the guiding research question.

Common ground. First and foremost, the empirical investigation paints an exceedingly consistent picture of recorded perceptions within the network, suggesting a high degree of common ground among stakeholders. While the generally positive tenor on mutual value creation confirmed the existence of shared core values and similar understanding, the inner coherence and stability is deemed to represent a clear strength of the examined stakeholder network. These attributes, in turn, not only serve as a potential explanation for the setting's remarkable development over the last few years, but also imply, in a broader sense, its capability to make a difference in microfinance. Provided that the basic intentions and motives of Swiss stakeholders were in harmony with the overall mission of microfinance, the study suggests that the stakeholder network of interest has a predominantly beneficial impact on mutual value creation within the sector.

Above all, examined stakeholders expressed unanimous support of a responsible and balanced approach that essentially strives to place microfinance on a viable commercial basis in order to maximize its social impact. In view of what has been achieved over the last years in this regard, most indications are that the microfinance sector overall has benefited markedly from the efforts of the concerned investor setting. A growing number of MFIs have directly been supported and promoted not only with funding, but also with technical and organizational assistance and advice, enabling them to contribute in a superior manner to the wellbeing of their clients and thus to value creation.

In addition, respondents were in a practical sense relatively aware of the concerns related to the mission drift issue and their corresponding roles and responsibilities. They often claimed to be committed, within their capabilities, to avoiding the negative effects from an increased integration into the formal financial system. Secondary evidence largely confirmed that many of these stakeholders accordingly made an effort to actively inform about the involved risks so as to raise awareness among others as well. The main argument for why the active management of these risks should be in the interest of all investor-related stakeholders was that negative consequences for the MFI setting would eventually fall back on them. Also, the trust and reputation in the investor setting, as attributes of prime importance in commercial microfinance investments, were said to be at stake, if associated stakeholders would experience adverse effects. As the linking pin between the investor setting and the MFI setting, microfinance asset managers were in this regard often deemed key players, equipped with the required attributes to have an influence.

Against this backdrop, it can be concluded that the implications of the Swiss investor setting on mutual value creation in the sector are again mainly advantageous according to their perception of the mission drift issue. Besides, in a stakeholder network that is marked by mutually agreed objectives and a shared fundamental attitude, the intrusion of stakeholders with non-compliant intentions appears to be less likely, which underpins its positive impact.

Differing interests. While clear indications of fundamentally divergent motives and opinions have remained absent in this study, the comparative analysis reveals that nuances in perceptions are largely associated with stakeholder-specific interests and emphases on microfinance. This heterogeneity of involved individuals and institutions was mainly appreciated for keeping the network in a state of balance. It was not only argued to give rise to seeing mutual value creation from varying points of view, but also to create, on the basis of common ground, a critical discourse among stakeholders without coming into conflict with each other. Among others, this characteristic is considered to explain to a certain extent the network's ability to have adapted successfully to the fast-changing market conditions and stay a dynamic and leading force in the area of microfinance investment.

In brief, the fact that the network of interest embraces a variety of stakeholders from different sectors and business areas seems to enhance the benefit and reduce the risk potentials in value creation within and beyond its boundaries. In a broader sense, the Swiss investor setting can also be seen as equally adding a different angle and additional qualities to microfinance, which after all appear to have distinct advantages for the sector. What these qualities are in concrete terms is discussed in the next paragraph.

Distinct qualities. The studied investor setting seems to possess distinct qualities that are of value for the broader stakeholder environment as well. On the one hand, insights from stakeholder perceptions suggest that the network is characterized by professionals who bring to their job an extensive body of knowledge and experience on both, microfinance practice or related development areas and western financial markets as well as the investment business. Additionally, the involved institutions enjoyed, within the network, a reputation of being highly specialized, efficient and professional in their area of expertise. As a result, it can be argued that the interactions and value creation processes beyond the specific network also benefit from the professionalism, expertise and efficiency of the examined stakeholders.

Signaling effect. Additional positive stimuli for sector-wide value creation can finally be located in the area of stakeholders' participation in industry initiatives. In light of the sector's growth and maturation, but also in response to the challenges commonly related to the mission drift issue, respondents largely agreed on the growing importance of voluntary initiatives in areas like reporting, rating, client protection and social performance. While the empirical investigation clearly confirms this trend towards initiatives for best practices, respondents generally stated that Swiss microfinance stakeholders were in the majority of cases early adopters and active supporters thereof. As a leading microfinance investment setting, the studied stakeholder network is thereby believed to have wider implications in the form of a signaling effect that manifests itself twofold. On the one hand, industry initiatives were generally thought to promote transparency, standardization, formalization and the establishment of best practices from which all stakeholders along the microfinance value chain benefit. By actively supporting such efforts, investigated stakeholders are not only seen to enhance their trust and strengthen their reputation, but also to induce the underlying practices and requirements among their stakeholders as well. On the other hand, unified support of industry initiatives from the examined network is also expected to have an enforcement effect on other stakeholders from foreign investor settings and microfinance markets. This seemed of great importance for respondents, since self-regulation in this form was eventually often regarded as a suitable means of forestalling regulatory state interventions with unpredictable consequences for mutual value creation within the entire sector.

Potential adverse effects. In general, stakeholders showed varying awareness of a potential adverse impact of their actions on the wider stakeholder environment and more frequently highlighted the positive outcomes of their involvement. Nevertheless, bridging the gap between the two markedly unequal settings of commercial investors and MFIs represented in many respects the highest perceived challenge in that regard. This endeavor was also repeatedly stated to entail risks for value creation with and among stakeholders from the MFI setting. Some of the perceived adverse effects included the increased risk of becoming dependent on financial and non-financial external support, exposure towards risks associated with formal financial markets such as currency risks and the danger of financial crises as well as growing pressure on previously disconnected institutions, for example, due to the relative concentration of foreign investments. In this context, the tenor of examined stakeholders pointed out, however, the many measures and actions that had or were being taken to minimize these risks for the wider stakeholder environment.

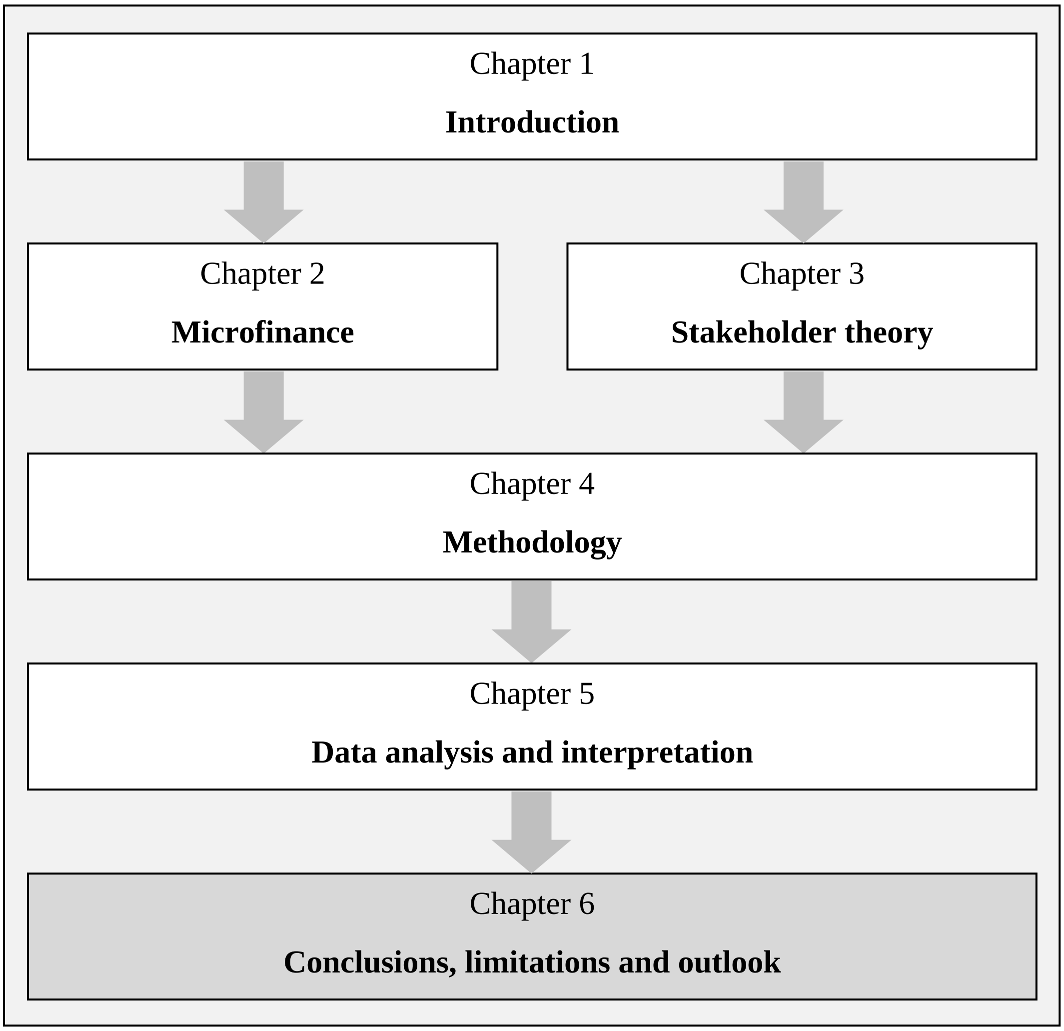
Overall, the perception analysis suggests that some stakeholder groups were not as sensitive towards the potential risks their involvement presented for value creation in microfinance as others. Therefore, there may be consequences of microfinance investment activities on the microfinance sector that are not fully borne in mind and understood by all involved stakeholders yet. However, as the discussion above shows, the Swiss stakeholder network is deemed overall to have a mitigating effect on the risk of mission drift in microfinance and thus seems to have mainly favorable implications for mutual value creation within the sector.

5.7. Conclusion

Analyzing the data on the specific case has shown that relationships and interactions among stakeholders of the Swiss microfinance investment network are based on common ground to a large extent. Respondents from the distinct groups shared a broadly similar perception of the motivation to engage in microfinance, mutual value creation and the mission drift issue. Nuances in group perceptions in the form of thematic emphases lend themselves as characterizing features, but also indicated that the tendencies in views were largely attributable to the diverging interests and institutional backgrounds of examined stakeholders, rather than variations in prevailing opinions. Substantial differences in attitudes of stakeholder groups have not become evident in this qualitative case study.

In view of the guiding research question, the empirical investigation suggests that, judged by the tenor of stakeholder perceptions, the Swiss investor setting has a predominantly positive influence on the mutual value creation within the sector. Shared characteristics and distinct qualities that also seem to be related to the network's enabling country context indicate further benefits that emerge for external stakeholders from interactions with professionals from the examined network. While the active commitment of most investigated stakeholders to industry initiatives appears to have a signaling effect on the broader microfinance investments sector, potential adverse effects became variably evident on the basis of their perceptions of the mission drift issue.

The fifth chapter on data analysis and interpretation built on the case description outlined in Chapter 2, Microfinance, which equipped the reader with an in-depth understanding of examined stakeholders. In a first step, the perceptions of each of the three predefined stakeholder groups were analyzed and presented along the relevant focuses. In fact, the view of microfinance asset managers, investors and advisers as well as that of experts on the engagement motivation, mutual value creation and the mission drift issue were elaborated based on empirical evidence. In a second step, a comparison of these stakeholder group perceptions was carried out in order to uncover the major similarities and differences. In a third and last step, the empirical insights gained from the previous analytical procedures have been examined for their implications on mutual value creation within the microfinance sector. In the sixth and closing chapter of this work, main conclusions of the results with respect to existing research and literature will be drawn and implications of the findings on stakeholder theory and microfinance as well as the limitations of this study will be discussed.


Chapter 1
Introduction
Chapter 2
Microfinance
Chapter 3
Stakeholder theory
Chapter 4
Methodology
Chapter 5
Data analysis and interpretation
Chapter 6
Conclusions, limitations and outlook

Chapter 6: Conclusions, limitations and outlook

The major aspiration for undertaking this research has been to shed light on a poorly understood area of a rapidly evolving phenomenon; commercial investments in microfinance. In doing so, selected concepts of the emerging stakeholder paradigm advanced by Sachs and Rühli (2011) provided the necessary theoretical framework for this investigation. On the one hand, the established ideas of stakeholder perceptions, the engagement motivation of stakeholders as well as mutual value creation have informed and set the focus of this research. On the other hand, the issue-based stakeholder network view has served as an innovative analytical lens through which the specific case was evaluated. The widely discussed mission drift debate served as a practical issue of strategic relevance to gain qualitative insights about investor-related stakeholders. As the specific case under investigation, the Swiss stakeholder network, as one of the leading country-based investor settings in microfinance, provided a unique context for this. Consequently, the following set of research questions has been addressed in this study:

Guiding research question:

What implications do similarities and differences in perceptions among stakeholders from the Swiss microfinance investment network have for mutual value creation?

Subsidiary research questions:

1) *How do stakeholders from the Swiss microfinance investment network perceive the motivation for engaging in microfinance?*
2) *How do stakeholders from the Swiss microfinance investment network perceive mutual value creation?*
3) *How do stakeholders from the Swiss microfinance investment network perceive the mission drift issue?*
4) *What are the similarities and differences in these stakeholder perceptions?*

Against the backdrop of recent controversial events in isolated microfinance trouble spots and the ensuing fundamental discussion about the adequacy of commercialization in general, and commercial cross-border investments in particular, the study examined the motivation and interactions of involved individuals and institutions as well as their approach towards the balance between social and financial objectives inherent to microfinance. In view of the renewed interest in the mission drift issue and the general implications of the recent global financial crisis, this investigation is regarded both as valuable and timely.

In order to take adequate account of the course of actions that was taken to answer these questions, the thesis at hand has been structured as follows: the introductory chapter, *Chapter 1, Introduction*, set the stage by outlining the research problem and the study's main features; *Chapter 2, Microfinance*, reviewed relevant microfinance literature and research in order to establish the practical context and specify the actual empirical case as well as the concrete issue to focus on; *Chapter 3, Stakeholder theory*, brought forward the relevant theoretical concepts of the emerging stakeholder paradigm referred to in this study; *Chapter 4, Methodology*, described the applied methodological approach; *Chapter 5, Data analysis and interpretation*, presented, analyzed and interpreted the empirical evidence with the aim of answering the research questions, and the present chapter, *Chapter 6, Conclusions, limitations and outlook*, finally now draws the conclusions about the results, discusses their theoretical as well as practice-oriented implications and the limitations and, lastly, offers possible starting points for future research.

6.1. Main conclusions

In an effort to widen the dominant quantitative focus on commercial microfinance investments and deepen the understanding of the corresponding stakeholders, the comprehensive qualitative analysis of the Swiss microfinance investor setting presented in this work has made some distinct contributions to the existing body of knowledge. An overview of these contributions, discussed in more detail in the remainder of this chapter, is given in Table 6-1. Referring back to the corresponding outline in Chapter 1, Introduction, the distinct contributions are divided into three areas; practice-oriented, theoretical and empirical. In the last column of the table, the degree to which existing literature explicitly referred to the specific theme is indicated. According to Perry (2002, p. 36), the entry ‘to some extent’ indicates confirmation or disconfirmation of expectations derived from the literature, the entry ‘to a very small extent’ indicates areas about which there were some speculations in the literature, but no empirical testing, and the entry ‘none’ indicates new areas, which had not been raised before.

Table 6-1: **Main contributions of this case study**

	Theme		**Contribution**	**Degree of references**
Practice-oriented	Qualitative stakeholder-oriented understanding of investor-related microfinance stakeholders and their perceptions	Perception of engagement motivation	Captures stakeholders’ motives and aspirations for becoming or being involved in microfinance with respect to their view of the sectors’ mission	To some extent
		Perception of mutual value creation	Reveals how mutual value creation within the specific network is perceived and takes place, and comes up with potential explanations	None
		Perception of mission drift issue	Sheds light on how stakeholders perceive mission drift in microfinance and their related roles and responsibilities	To a small extent
	Implications of stakeholder perceptions on mutual value creation within the sector		Assesses the influence of the investor setting on mutual value creation within microfinance as a whole	To some extent
Theoretical	Extended field of application of theoretical concepts		Application of selected stakeholder-oriented theoretical concepts in the context of the microfinance investment industry	To a very small extent
	Relation between applied theoretical concepts		Offers empirical insights on the characteristics of the relation between stakeholder perceptions and mutual value creation	To a very small extent
	Issue-based stakeholder network view as an analytical perspective		Assesses the strengths and weaknesses of the issue-based stakeholder network view in a specific empirical context	To some extent
Empirical	Qualitative case study research in a novel and unique context		Provides a basis and offers guidance for case replication and future qualitative research in the microfinance investment industry	To some extent

(Source: own figure based on case study results and referring to Perry 2002, p. 36)

6.1.1. Conclusions on stakeholder perception analysis

At the center of this study lies an empirical comparative perception analysis that served as a basis for the subsequent analytical steps. Referring to the subsidiary research questions, the following section recapitulates the main insights on the identified similarities and differences in stakeholder perceptions and draws pertinent conclusions with reference to prior research and literature.

Similarities in perceptions of engagement motivation. Despite their embeddedness in a formal financial market with all its rules and constraints, examined stakeholders had in general markedly balanced motives for engaging in microfinance that equally accounted for financial and social objectives. A wide spectrum of familiar aspirations has generally found expression, which confirms for the most part previous insights on microfinance investors and advisers (see Hemrika & Chichon 2011). However, with respect to the entire set of investigated stakeholders, the notion of financial inclusion was commonly seen as the most apt and realistic aspiration, whereas the notion of poverty alleviation was indeed often referred to, but mostly acknowledged with reservations. This represents an area of slight disagreement with existing empirical research, which found that poverty alleviation was the primary reason to support microfinance among investors and advisers (Hemrika & Chichon 2011, p. 6). The growing interest in financial inclusion as an overarching goal of microfinance and related efforts, however, is equally reflected in the current scientific and practice-oriented discussion (e.g., CGAP 2013b; Cull, Demirgüç-Kunt & Morduch 2013). Apart from these familiar microfinance mission aspects, a few more personal motivational drivers arose from the study that added to a better understanding of the specific stakeholders, such as the deeper meaning and exciting environment of related work or the focal interest of some to promote entrepreneurship or institution building.

Similarities in perceptions of mutual value creation. Given the young age of the microfinance sector, its high dynamics and additional peculiarities, the Swiss stakeholder network appears to be a remarkable example of how value creation takes place among individuals and institutions with diverse backgrounds. The similar driving forces and joint aspiration of involved stakeholders were clearly mirrored by their positive feedback and favorable attitude towards network interactions and contributions to value creation. The study vividly showed the strong and multifaceted network ties within the investigated stakeholder setting, exemplified by the often revealed multi-functionality of involved individuals. Major benefit potentials were perceived in the areas of communication and knowledge transfer as well as the prevalent commitment to responsible and professional practices. Also, a great sense of mutuality was generally signified by the perceived coherence and cooperation potential among the various stakeholders. Despite some broader challenges that arise from the recent global financial crisis, even the latest adverse events and developments in the microfinance sector were mostly seen as giving rise to advantageous effects, like the need for joint efforts and enhanced awareness of involved risks. In contrast, recognized threats to value creation originated in the majority of cases from outside the investigated network. Examples of such risk potentials include reputational damage from single incidents in microfinance markets, state interventions in the form of regulations or adverse investment strategies of IFIs and DFIs in the sense of the ‘crowding out’ issue. Nonetheless, the findings of this study broadly highlight the dedication of examined stakeholders to actively and mutually address the specific issues and challenges the sector is facing, so as to promote responsible and sustainable microfinance operations.

Moreover, the country context has proven to be a key determinant for the way in which value creation takes place within the studied network. While existing literature on Swiss microfinance investments has already alluded to the importance of the specific circumstances and conditions in Switzerland (see Dominicé et al. 2011), the perception analysis has empirically confirmed that the enabling country-based framework accounts largely for the success, continuity and stability of the setting. Decisive country-specific features exposed by this investigation include a common mindset of pioneering, entrepreneurship and innovation among professionals, a strong financial market with a relatively high demand for SRIs and impact investments as well as a comparatively enabling regulatory framework and governmental support in technical and structural areas. In this regard, the specific stakeholder network is believed to benefit from competitive advantages towards other investor settings, which raises the interest in a replication of this case study in other countries. The specific country context eventually may, in this way, provide an explanation for the involved stakeholders' capabilities to react to fast-changing external conditions and to stay innovative and open to new approaches while at the same time relying on established and trustworthy network ties. These particular insights on value creation among Swiss microfinance stakeholders can be regarded as fairly novel since no comparable qualitative in-depth research is known of until now.

Similarities in perceptions of mission drift issue. First and foremost, the results of this perception analysis strongly disagree with the often discussed polarization in the microfinance community on the sector's commercialization (e.g., Bruck 2006; Ferris 2008; Woller 2002). A wide divergence of fundamental attitudes towards a commercial approach in general, referred to as the two camps of 'institutionists' and 'welfarists' in the literature (e.g., Kar 2010; Woller 1999), cannot be confirmed in the case of this particular set of stakeholders. In a broad sense, the studied stakeholders essentially took the stance of institutionists, which can to some degree be explained by the constitutive role of the specific network within the sector as a whole. As a leading investor setting, these stakeholders are, in simplified terms, inherently standing for a commercial approach towards microfinance. Hence, the coherent outcome of the perception analysis seems comprehensible. The striking insight, however, is that although some stressed social development goals and others put emphasis on market-related goals, the analyzed stakeholders from the various sectors, including public, non-governmental and private, widely agreed on the basic opinion that a commercial approach and private sector involvement are, in principle, favorable and necessary trends for microfinance.

Furthermore, examined stakeholders showed awareness of the mission drift issue to the extent to which they were informed and held an opinion about associated practical challenges. On the one hand, mission drift was primarily perceived as an institutional risk for MFIs, which generally conforms to the focus of common literature-based definitions (e.g., Copestake 2007; MacDonald 2010; Woller

2007). The adoption of this view by the investigated stakeholders is most notably reflected in their broadly shared conviction in commercial microfinance investments. If mission drift had been regarded as a holistic issue for microfinance in general, this strong conviction and, after all, their legitimation as stakeholders of microfinance, would have been fundamentally questioned, which was rarely the case. Only sometimes did stakeholders, especially experts, indicate that the issue may also be understood in a broader sense and from a long-term perspective. On the other hand, the studied stakeholders acknowledged the risk of neglecting the social dimension in pursuit of increasingly dominant financial objectives, insofar as most of them felt that they were confronted with this balancing act every day. Accordingly, the recent events and developments in the sector were often put into perspective. Except for some concerned investors, examined stakeholders took a rather calm and serene stance on these incidents, regardless of the relatively strong media reaction and ensuing controversial public debate. This indicates a discrepancy between the weight the intellectual discussion has attached to these adverse events and the strength with which the examined stakeholders perceived them. Finally, the results highlight, in a broad sense, the complexity and elusiveness of the mission drift issue, which clearly emerges from existing research (e.g., Armendáriz & Szafarz 2011; Frank 2008; Gosh & Tassel 2008). Its diverse facets are vividly mirrored in the examined perceptions of individual stakeholders, which is why this qualitative case study added depth and richness to the understanding of the issue.

Differences in stakeholder perceptions. Last but not least, this investigation suggests that the differences in perceptions are broadly attributable to the varying interests of stakeholders. Referring to the emerging stakeholder paradigm (see Sachs & Rühli 2011), which assumes that different stakeholder interests lead to different priorities in value creation and thus different perceptions of strategically relevant issues, this finding has been broadly expected. Unanticipated was, however, that stakeholders regarded this variety as an essential condition for mutual value creation, insofar as it facilitated a critical discourse that allowed the questioning of practices and policies among stakeholders in the specific network. Hence, it can be argued that the diversity of stakeholder interests in the network has served as a means to avoid inertia, in the form of a lack of progress and innovation, as well as unilateral developments at the expense of others. Therefore, this study signifies that different interests in mutual value creation do not interfere with a similar fundamental attitude of its guiding philosophy and general direction, but rather means that stakeholders depart from varying points of view, bringing in its wake indispensible aspects for superior mutual value creation.

6.1.2. Conclusions on implications for mutual value creation

Against the backdrop of the current state of microfinance, the main objective of this investigation was to clarify the wider implications of the specific investor setting for mutual value creation within the sector, by drawing on stakeholder perceptions. The subsequent paragraphs consequently contain a recapitulation of the findings on the guiding research question and unfold the main conclusions of this study.

The overall results suggest that the Swiss stakeholder network has a predominantly positive impact on mutual value creation within the microfinance sector. The previously discussed common ground among stakeholders and the enriching variety of stakeholder interests speak in support for this proposition. Apart from that, the distinct characteristics of Swiss microfinance stakeholders, including their expertise, professionalism and efficiency, can generally be taken as an indication of the networks' beneficial implications for the sector. Last but not least, mutual efforts and commitments, for example, as part of industry initiatives, are believed to have a signaling effect and exert pressure on other investor-related stakeholders. They are thus recognized as having favorable consequences. However, awareness of possible adverse effects on wider value creation in microfinance was limited among examined stakeholders, bearing a certain risk potential in itself.

In addition, related findings of this study indicate that mainly microfinance asset managers are in a position to have a significant influence on practical risks associated with mission drift in the setting of MFIs and end clients. By means of the due diligence process and the partnerships they forge with refinanced institutions, asset managers were deemed to have the ability to mitigate the related dangers at the microfinance front. In this regard, studied asset managers mostly confirmed their commitment to take on their roles and responsibilities as key stakeholders by emphasizing their interest in keeping the balance between social and financial objectives. Nonetheless, potential for improved mutual value creation with respect to mission drift also became evident on the level of asset managers. Stakeholders especially recognized the need for action in areas like social performance reporting, standardization of processes and principles of best practice for the promotion of client protection and transparency. While practice-oriented literature on these initiatives mainly reflects the corresponding influencing capability of MIVs, the scholarly discussion seems to have insufficiently addressed this key relationship as of yet. In this regard, the study stresses the need to focus more strongly on the interactions between MIVs and MFIs in order to better understand the implications and dependencies of commercial investments.

Moreover, the qualitative analysis has found no empirical evidence in the context of the Swiss microfinance investment stakeholder network of a significant negative effect of the investor setting on the provision of microfinance services that would underpin the occasional attack from critics (see Evans 2010; Jacquemart 2011). While some respondents in this investigation acknowledged, however, the general danger of young and thriving industries to attract profit-maximizing individuals and institutions with the sole aim of self-enrichment, no such practices or intents came to light in this case study. Even though the analyzed stakeholders were unanimously supportive of a commercial approach, they seemed to be fundamentally interested in a dual value proposition and intrinsic motivated to serve microfinance clients in a more efficient and adequate way. In recognition of the fact that profit-maximizing practices would jeopardize everything that has been achieved in microfinance investment over the last years, the studied stakeholders generally disapproved of such behavior.

In brief, these findings prompt the conclusion that the criticism of a unilateral commercialization in microfinance for the benefit of international investors is based on anecdotal evidence and may not found application in practice to the same extent. The study shows that examined stakeholders from the Swiss microfinance investment network were invariably committed to a responsible and sustainable development of the sector, primarily for the benefit of poor microfinance clients in developing and emerging markets.

6.2. Implications for stakeholder theory

The findings of this explorative case study have implications for stakeholder theory as the underlying parent discipline. In the guiding conceptual framework, outlined at the end of Chapter 3, Stakeholder theory, the focus has been laid on distinct theoretical concepts of the emerging stakeholder paradigm (see Sachs & Rühli 2011). With regard to the microfinance investment context and the predominant mission drift issue, the main theoretical contribution of this study lies in the evaluation of these stakeholder-oriented concepts in a new field of application. In this sense, a number of concrete empirical insights provide a basis for critical reflection and potential advancement.

Stakeholder perceptions and mutual value creation. The presented case study provides a descriptive account of stakeholder perceptions and mutual value creation in the specific network and thereby allows insights into the relation between these two theoretical concepts. In essence, it is found that common ground regarding the purpose and values of engaging in microfinance, as well as a similar basic attitude towards the mission drift issue, results in a superior form of mutual value creation within and beyond the Swiss microfinance investment network. However, the investigation also points out that similar perceptions along these aspects do not imply that stakeholders have the same particular interests in value creation. The perception analysis, in fact, suggests that the varying interests within the examined stakeholder network are needed to keep it and its wealth creating capacity in some sort of balance and dynamism.

Therefore, it can be assumed that there is an equilibrium of common ground and heterogenic interests in a stakeholder network that allows for superior mutual value creation. In other words, as long as shared core values and a common guiding philosophy for contributing to value creation are present among stakeholders, diverging interests may actually improve its quality. Stakeholders with varying interests tend to approach value creation from different angles and recognize opportunities for innovation and progress others might not discern, while the mutual foundation is given to tap these potentials for the benefit of all. In contrast, if common ground with regard to value-based key questions such as basic motivation is absent, different stakeholder interests may become difficult to bridge and may thus constrain the opportunities for effective and target-oriented mutual value creation.

Of further significance, according to the results of this investigation, is that the roles and responsibilities of each stakeholder in the network needs to be clearly and transparently communicated and mutually accepted, so that points of intersections and ambiguities can be avoided, which again bear potential for conflict and inefficiency. Concerning the relation between stakeholder perceptions and mutual value creation, the study therefore confirms the influence of similarities and differences in perceptions on the value creation process. Finally, the difficulty of evaluating the association between these two theoretical concepts appears to reside in the empirical compatibility of their distinct focus. The notion of stakeholder perceptions highlights the respect for personal and individual features of stakeholders, whereas mutual value creation is seen as an exceedingly multi-layered notion on a higher level of abstraction.

Issue-based stakeholder network view. Furthermore, the issue-based stakeholder network view has been used as an innovative analytical perspective to explore the phenomenon of interest. The empirical application of network-based thinking was thereby equally as challenging as it was rewarding and brought to light some strengths and weaknesses of the framework. On the positive side, taking the focus away from a focal firm or a distinct dyadic stakeholder relationship has facilitated taking a broader view of the studied setting. It was possible to adopt different angles on the network’s status quo and the multilateral interactions among the various stakeholders according to their institutional backgrounds and sector affiliations. Therefore, the stakeholder network view has proven to be a suitable instrument for this kind of explorative examination of a poorly understood setting.

On the downside, applying an issue-centered stakeholder network perspective has been challenging and open to own interpretation to some degree. Existing literature has provided only sparse guidance on how to manage the continuous balance between the different levels of interest in the network, including the holistic network, the group level and respect for the human beings behind the studied stakeholder, as a distinct premise of the emerging stakeholder paradigm (see Sachs & Rühli). For stakeholder-oriented case research that relies on qualitative evidence from individuals in order to draw conclusions on a group or network-based level, this shift across the analytical levels of the theoretical concepts seems inevitable yet poorly addressed in existing research. While related efforts have mainly focused on the detachment of a firm-centric view (e.g., Rowley 1997; Savage et al. 2008), they mostly leave open how the different organizational levels are handled by using this particular view. As a result, this study suggests that more clarification is needed on how to synthesize the valuable approach towards network thinking with the inherent premise of contemporary stakeholder theory to show respect for individual stakeholders as human beings. In summary, the issue-based stakeholder network view, to a certain extent, leaves it open to the investigator as to what the right level of analytical abstraction is in order to benefit from a broad and holistic network-oriented thinking, while at the same time accounting for individual contributions of stakeholders that operate on different organizational levels.

6.3. Implications for microfinance

Cautiously formulated, the empirical investigation reported on in this thesis represents one of the first qualitative studies on commercial microfinance investments and the involved stakeholders. With the Swiss microfinance investment stakeholder network as the unit of analysis and a broad conception of microfinance mission drift as the issue at stake, the research effort has drawn heavily on microfinance practice and literature. Therefore, the conclusive question arises - what do the results imply for microfinance practice and literature?

As far as stakeholder interactions and value creation within and beyond the Swiss microfinance investment setting are concerned, the main implications of the findings are twofold. First, they emphasize the importance of stakeholders involved in microfinance investment to make their objectives and philosophies transparent and to be sincere and realistic about the potential impact of their activities and microfinance operations in general. In the current state of the sector, and not least due to the limited rigorous evidence of its impact, it seems essential that the community as well as the broader public is aware of what microfinance can and cannot achieve. Consequently, extensive communication and awareness-raising along these general questions and single controversial events is thought to be equally as important as being moderate on both, raising expectations, even for promotional purposes, and judging criticism directed at the sector. While many examined stakeholders have proven to be aware of this and to be heading in the right direction, only this way is the reputation and trust of the microfinance investment industry most likely to be maintained in turbulent times also and thus for long-lasting mutual value creation among the various stakeholders.

Second, the results direct closer attention to the coordination between public and private stakeholders in the context of microfinance investment. Becoming manifest in the strength of stakeholder perceptions of the crowding out issue and the legal, regulatory and supervisory framework, respondents from both sides located some of the major advantages and threats for value creation within and beyond the investigated stakeholder network in that area. Therefore, the findings suggest that improved role allocation and harmonization of actions between these two sectors is needed. A potential approach, in this regard, may be the establishment of an effective and target-oriented national, or even international, cross-sector industry association that offers an adequate coordination platform based on which binding standards and concessions could be negotiated. While the need for such a platform was particularly stressed in the Swiss context, it also appears to be of high relevance in an international, industry-wide context.

In view of the insights on the value creation process, the case study implies that the Swiss stakeholder network is in a late stage of formation that is predominantly driven by change in reaction to internal or external triggers. However, with the coming of age of the microfinance industry and commercial investment activities, the analysis also affirmed the growing importance of proactive behavior in order to stay innovative and competitive. While, according to the literature, such behavior was in the past especially pronounced among Swiss stakeholders in order to mount this novel investment sector, it is considered to be of equal significance in the future. Promising potential has thereby been identified in the differentiation of asset managers and single microfinance funds respectively. Within the asset class of microfinance, investment vehicles with different geographical or thematic focuses and thus varying risk/return profiles would further broaden and diversify the spectrum of stakeholder contributions, resulting in an improved form of value creation. In analogy to the widening of financial services offered to end clients, exemplified by the terms of microcredit versus microfinance, the microfinance industry as a whole, including the investor setting, seems to be at a stage at which differentiation and diversification has become both needed and forward-looking.

In addition, the results provide a basis for recommendations for the way to deal with the mission drift issue in microfinance practice and literature. First, the relevance of integrating the investor setting more strongly into the mission drift debate has empirically been confirmed based on the awareness and perceived influence of the studied stakeholders on related practical problems. Second, with respect to the distinction in the literature between an institutional and an industry-wide understanding of the issue, the later appears to be rather obsolete and no longer appropriate in the context of the sector's status quo. Thus, the practical significance and application of the debate on whether microfinance is subject to a mission drift in a broad sense be challenged and the question arises of whether the focus ought to be narrowed on institutional implications only. In this regard, the insights signify that the risk of a mission drift is less pronounced in MIVs than MFIs. Indeed, understandable arguments came up in this qualitative study that underpin the proposition that stakeholders from the microfinance investor setting are less exposed to mission drift. Nonetheless, the investor setting was also perceived to be equipped with the adequate means to have a positive influence on related risks in refinanced institutions, which finally leads to the third implication. Whereas favorable effects were widely recognized among analyzed stakeholders, the findings of this perception analysis also imply that the awareness of adverse effects of commercial investment activities on MFIs ought to be more explicit so as to fully account for their impact. Eventually, one of the central responsibilities of the investor setting is to manage and mitigate the potential risks cross-border funding of institutions in less developed countries brings.

6.4. Research limitations

Beyond the common limitations of the applied research design outlined in Chapter 4, Methodology, further limitations, which arose as equally from the chosen research methodology as from the practical context, came to light in the process of the empirical analysis. This section intends to account for these research limitations by making them explicit.

Level of analysis. At the outset of the empirical investigation, three stakeholder groups were defined as the level of analysis in order to reduce the complexity of the studied network, manage the variety of involved stakeholders and enable comparative perception analysis. At certain stages of the study, the predefined categorization was re-evaluated and other constellations of stakeholder groups were taken into consideration. Alternatively, the network could have been separated into stakeholders from the private, the public and the non-governmental sectors. Besides, a more fine-graded distinction of microfinance investors and advisers as well as microfinance experts was assessed at times. However, alternative distinctions were mainly rejected due to the small size of the population in this case study and the limited data access to certain stakeholder groups such as investors. But also the application of the chosen functional stakeholder categorization has been challenging and bears its limitations. First and foremost, most interview partners turned out to be exceedingly multifunctional, insofar as they assumed varying roles in the examined stakeholder network, hampering in most cases a distinct group allocation. Second, within-group ambiguities made the aggregation of individual respondents' views into a group perception difficult. In particular, microfinance experts were more heterogenic than previously thought, which had an impact on the characterization of their perception as a group.

Sampling method. Finally, an unanticipated limitation in the sampling of interview partners has taken effect in this study. Since the primary data collection was based on a purposive snowball sampling method, it depended on existing contacts of interview partners, which they were willing to share. In this respect, a weak dichotomy of the studied stakeholder network was recognized with regard to the German-speaking part and the French-speaking part of Switzerland, colloquially referred to as ‘Röstigraben’. As a consequence, the sampling of interview partners was somewhat distorted towards German-speaking stakeholders. Since this observation was only based on the experiences made in relation to the sampling of interview partners and no significant indications thereof emerged from the empirical research, it is accordingly stated as a limitation and not as an insight.

Acknowledging the above research limitations does in no way curtail the significance of this case study’s contributions to the body of knowledge. In fact, the observations made as part of these limitations add substance to setting forth avenues for future research, discussed in the next and final section.

6.5. Research outlook

After having declared the limitations of the case study, this final subchapter provides guidance for scholars in the selection and design of future research. Based on the insights gained, the research outlook thereby reveals possible starting points for further inquiry into the select applied concepts of both relevant disciplines; microfinance and stakeholder theory.

Seen as an exploratory investigation that produces early qualitative insights into a poorly understood phenomenon, this case study primarily fosters replication and similar examinations of the microfinance investor setting so as to create an empirical foundation that allows drawing cross-comparisons among different settings and countries. Potential for similar country-based case studies is given, for example, in Belgium, France, Germany, the Netherlands, the UK or the US; all of which are markedly involved in commercial microfinance investments (e.g., CSFI 2012). Also, further qualitative research in Switzerland, for instance, with a focus on the perception of a distinct stakeholder group, exemplified by the study of Hemrika and Cichon (2011), is deemed highly valuable to deepen the understanding of the phenomenon of commercial microfinance investment. Besides, it would be interesting to see more clearly how individuals and institutions from MFI settings with an interest or a stake in commercial investments perceive the commercialization and the mission drift issue with regard to private sector involvement from the developed countries. A more comprehensive understanding of their view would uncover further potential for more efficient stakeholder relations and mutual value creation along the entire microfinance value chain.

Furthermore, the above discussed findings direct the attention to two distinct subjects on which in-depth research would be advisable. On the one hand, more research has to be conducted on the interaction between microfinance asset managers and microfinance service providers due to its significance for bridging the two settings. Closer scientific attention is needed on how commercial funding and the respective institutions exactly affect the objectives and practices of MFIs. On the other hand, it might be worthwhile to analyze the ‘crowding out’ issue from a scientific perspective due to its perceived relevance for the future development of commercial microfinance investments and the assumed transferability to other development areas. With a look beyond the boundaries of the studied stakeholder network, coordination between international development banks and private microfinance investors generally appears to offer considerable potential for improved value creation. Insofar as hardly any scientific insights exist on the crowding out issue, research efforts could shed some light on how to eradicate related inefficiencies.

In summary, the case study presented over the course of this work has used a qualitative research methodology and an issue-based stakeholder network view in order to add new depth to the understanding of commercial microfinance investments and the mission drift issue at a time when it is most needed.

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Appendix A: Data collection

A.1. Interview guide

The interview guide used for primary semi-structured interviews has been developed along the conceptual framework of this study and revised based on insights from the pilot study. Modifications of single interview questions have been made depending on the background of specific interview partners.

Table A-1**: Interview guide**

A	**Einführende Fragen**
A.1	• Was für berufliche Funktionen nehmen Sie im Bezug auf Mikrofinanz wahr? • Wie gestalten sich Ihre Aktivitäten im Umfang dieser Funktionen? • Wie sehen sie Ihre Rollen und Verantwortungen diesbezüglich?
B	**Engagement motivation – Mikrofinanz/Mikrofinanzanlagen**
B.1	• Wie oder aus welchem Anlass heraus ist Ihr Interesse an Mikrofinanz entstanden? • Was reizt Sie an Mikrofinanz besonders? • Können Sie konkrete Erfahrung damit in Verbindung bringen, welche Sie besonders geprägt haben?
B.2	• Wie würden Sie in Ihren Worten die Mission der Mikrofinanzbewegung im Allgemeinen beschreiben? • Hat sich diese Mission aus ihrer Sicht im Zeitablauf merklich verändert?
B.3	• Welche Rolle spielen Ihrer Meinung nach die Anlagevehikel und Investoren heutzutage hinsichtlich Mikrofinanz?
B.3	• Wie schätzen Sie konkret die Motivation dieser anlageorientierten Anspruchsgruppen ein - was sind das für Leute und Firmen?
C	**Mutual value creation - Stakeholderumfeld**
C.1	• Welches sind für Sie konkret die bedeutendsten Anspruchsgruppen innerhalb der Schweiz, wenn es um Mikrofinanz geht? • Gibt es weitere wichtige Anspruchsgruppen im Schweizer Mikrofinanzsektor die Sie wahrnehmen?
C.2	• Wie gestalten sich Ihrer Erfahrung nach diese Stakeholderbeziehungen konkret?

	• Sehen Sie im Umgang Unterschiede im Vergleich zum klassischen Finanzsektor? • Haben sich diese Beziehungen merklich verändert in den letzten Jahren?
D	**Microfinance mission drift**
D.1	• Was verstehen Sie unter dem Begriff „Mission Drift“ im Mikrofinanzbereich? • Kommen Ihnen dazu spontan Schlüsselereignisse in den Sinn?
D.2	• Wie beurteilen Sie den Trend der Kommerzialisierung im Mikrofinanzbereich? • Wie beurteilen Sie den Trend der kommerziellen Anlagetätigkeit im Mikrofinanzbereich? • Welche Chancen und Risiken, insbesondere hinsichtlich der Ziele von Mikrofinanz, sehen Sie in Verbindung mit diesen Trends?
D.4	• Was halten Sie von der Kritik, dass rein renditeorientierte Finanzinstitute und Investoren einen negativen Einfluss auf die soziale Zielsetzung in Mikrofinanz haben? • Inwiefern würden Sie es als problematisch ansehen, falls es in der Branche Anspruchsgruppen gäbe die eine andere Grundeinstellung zum Sinn und Zweck von Mikrofinanz haben?
D.5	• Wie kann im Bezug auf die kommerzielle Anlagetätigkeit sichergestellt werden, dass Mikrofinanz der sozialen Wirkung verpflichtet bleibt?
E	**Zukunftsaussichten**
E.1	• Wie sehen Sie die zukünftigen Chancen und Herausforderungen des Mikrofinanzsektors und der Mikrofinanzanlagetätigkeit? • Welche zukünftigen Entwicklungen erwarten Sie in den nächsten 10 Jahren?
E.2	• Wie sieht Ihre Vision von Mikrofinanz aus?

(Source: own table)

A.2. Information sheet and consent form

Every respondent received the below participant information sheet and document with further information on the research study in advance and signed a copy of the consent form before the interview started.

Participant information sheet.

HREC Zulassungsnummer: H11REA068
Titel des Forschungsprojekts: Qualitative Fallstudienforschung zur Wahrnehmung und Werthaltung von Anspruchsgruppen des Schweizer Mikrofinanzsektors
Forschungsleiter: lic. oec. publ. Marc Moser

Sehr geehrte Damen und Herren

Gerne möchte ich sie zur Teilnahme an diesem Forschungsprojekt einladen.

Dieses Forschungsprojekt beinhaltet eine sozialwissenschaftliche Untersuchung der individuellen Wahrnehmung und Werthaltung von Personen, die Teil der Schweizer Mikrofinanzgemeinde bilden und somit einen Bezug zu Mikrofinanzanlagen haben.

Das Hauptziel dieser wissenschaftlichen Studie ist es, die Grundhaltung verschiedener Anspruchsgruppen und die Beweggründe für deren Engagement innerhalb der Branche zu beleuchten und einander gegenüber zu stellen. Damit soll einerseits Aufmerksamkeit für die zunehmende Bedeutung der Investorenseite von Mikrofinanz geschaffen werden. Andererseits gilt es Potenziale und Risiken einer nachhaltig gestalteten, verantwortungs-vollen, gemeinsamen Wertschöpfung im Mikrofinanzbereich aufzuzeigen und in diesem Zusammenhang insbesondere die Rolle der Investorenseite zu klären.

Es wird erwartet, dass die Teilnehmenden an diesem Forschungsprojekt Fragen zur Mission und Motivation von Mikrofinanz bzw. Mikrofinanzanlagen beantworten. Ausserdem werden die Teilnehmenden dazu angehalten, über Ihren Werdegang, ihre Erfahrungen und ihre Wahrnehmung anderer Anspruchsgruppen zu berichten und darüber Auskunft geben, wie sie die jüngsten Ereignisse innerhalb der Mikrofinanzbranche und deren Zukunft einschätzen.

1. <u>Ablauf</u>
Die Teilnahme an diesem Forschungsprojekt beinhaltet Folgendes:

- ***Eine leitfadengestützte Befragung, welche max. eine Stunde dauert, im Zeitraum Januar bis August 2012.***
- ***Die Beaufsichtigung des Forschungsprojekts durch Prof. Dr. Sybille Sachs, Hochschule für Wirtschaft Zürich (HWZ) und Dr. Bruce Millett, University of Southern Queensland (USQ).***
- ***Zugang zu Informationen über die Resultate und Erkenntnisse des***

Forschungsprojekts nach Abschluss der Studie (voraussichtlich Frühjahr 2013).

- ***Die, aus Sicht des Forschungsleiters, alleinigen Risiken der Vertraulichkeit persönlicher Informationen und der Datensicherung.***
- ***Die Erhebung von identifizierbaren Informationen der Teilnehmenden ausschliesslich für den internen Gebrauch. Namen und identifizierbare Informationen werden bei einer Publikation im Text anonymisiert. Sofern nicht anders vereinbart, werden die Teilnehmenden lediglich im Anhang des Studienberichts kenntlich gemacht.***

2. Freiwillige Teilnahme

Die Teilnahme an diesem Forschungsprojekt ist freiwillig. **Sie sind keineswegs verpflichtet an diesem Forschungsprojekt teilzunehmen.** Falls Sie sich entscheiden teilzunehmen und ihre Meinung ändern, können Sie ihre Teilnahme auch zu einem späteren Zeitpunkt zurückziehen. Die bis dahin erhobenen Daten werden entsprechend vernichtet.
Ihre Entscheidung zur Teilnahme oder Absage, auch zu einem späteren Zeitpunkt, hat keinerlei Auswirkungen auf ihre Beziehung zur Hochschule für Wirtschaft Zürich (HWZ) oder zur University of Southern Queensland (USQ).
Bitte wenden Sie sich an den Forschungsleiter wenn Sie von der Teilnahme dieses Forschungsprojekts zurücktreten möchten.

Bei allfälligen Fragen oder Unklarheiten im Bezug auf den Fortgang oder die Durchführung dieser Studie, zögern Sie nicht den Forschungsleiter zu kontaktieren.

Marc Moser
Institut für strategisches Management: Stakeholder View
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Falls Sie irgendwelche ethischen Belangen mit der Durchführung dieses Forschungsprojekts oder sonstige Fragen über ihre Rechte als TeilnehmerIn haben, wenden Sie sich bitte ohne zu zögern unter folgender Adresse an den ‚University of Southern Queensland Ethics Officer':

Ethics and Research Integrity Officer
Office of Research and Higher Degrees
University of Southern Queensland
West Street, Toowoomba 4350
Ph: +61 7 4631 2690
Email: ***ethics@usq.edu.au***

Document with further information for research participants.

HREC Zulassungsnummer: H11REA068
Titel des Forschungsprojekts: Qualitative Fallstudienforschung zur Wahrnehmung und Werthaltung von Anspruchsgruppen des Schweizer Mikrofinanzsektors
Forschungsleiter: lic. oec. publ. Marc Moser

Hintergrund zum Forschungsprojekt:
Die wissenschaftliche Studie setzt an die Erkenntnisse eines Forschungsprojekts von Prof. Dr. Sybille Sachs, Leiterin des Instituts für strategisches Management an der Hochschule für Wirtschaft Zürich (HWZ) und Titularprofessorin an der Universität Zürich an, welches vom Staatsekretariat für Bildung und Forschung (SBF) unterstützt und von Swissnex Bangalore begleitet wurde. Basierend auf einem leitenden Rahmenkonzept ausgewählter Begriffe der Stakeholdertheorie und der Mikrofinanzliteratur wird vor dem Hintergrund jüngster Entwicklungen die Wahrnehmung und Werthaltung von Anspruchsgruppen des Schweizer Mikrofinanzsektors erhoben und analysiert.

Forschungsdesign:
Qualitatives Fallstudiendesign mit semi-strukturierten Interviews (Primärdaten) und qualitativer Inhaltsanalyse von öffentlich zugänglichen bzw. internen Dokumenten (Sekundärdaten) verschiedener Anspruchsgruppen.

Involvierte Anspruchsgruppen:
Die Studie umfasst gemäss Definition alle Personen und Institutionen, welche direkt mit Schweizer Mikrofinanzaktivitäten in Verbindung gebracht werden können. Im Kontext dieser Studie gelten insbesondere diejenigen Ansprechpartner als relevant, die über langjährige Erfahrung im Mikrofinanz-bereich verfügen, bestmöglich eine Anspruchsgruppe repräsentieren und im Wesentlichen zu einem vertieften Verständnis des Forschungsschwerpunkts beitragen können. Verschiedene Personen aus der Praxis, der Forschung und Lehre sowie der öffentlichen Hand wurden im Umfang dieses Forschungsprojekts bereits befragt oder haben sich zur Teilnahme an dieser Studie bereit erklärt.

Zeitplan:

Bis Ende August 2012	Datenerhebung
Sommer 2012	Datenanalyse und –interpretation
Herbst 2012	Verfassen des Studienberichts und Integration der Resultate
Winter 2012/2013	Überarbeitung des Studienberichts
Frühling 2013	Lektorat
Sommer 2013	Veröffentlichung des Studienberichts als Dissertation (Buchform)

➔ Teilnehmende der Studie erhalten im Frühling 2013 eine Kopie des Studienberichts und werden vor der Publikationen der Dissertation um deren Einverständnis gebeten.

Informationen zu den qualitativen Interviews:
Vor Beginn des Interviews wird den Interviewpartnern sowohl ein Informationsblatt ausgehändigt, als auch eine Einwilligungserklärung zur Unterschrift vorgelegt. Von Seiten Teilnehmende sind keine Vorbereitungen erforderlich. Die Dauer des Interviews

beträgt max. 1 Stunde. Die Interviewführung ist semi-strukturiert, sprich, es wird ein leitfadengestütztes Gespräch mit vordefinierten Fragen geführt, welches Raum und Zeit für Erzählungen und Erläuterungen zulässt bzw. diese fördern soll.

Inhalt und Beispiele der Fragen:
Die Befragung ist in drei Abschnitte unterteilt. In einem einführenden Abschnitt werden Fragen zur Person, wie z.B. dem individuellen Erfahrungshintergrund gestellt. In einem zweiten Abschnitt wird die Wahrnehmung zum Stakeholderumfeld und zu Mikrofinanzanlagen im Allgemeinen abgeholt. In einem dritten Abschnitt werden spezifische Fragen bezüglich der Mission von Mikrofinanz und der Motivation hinter Mikrofinanzanlagen gestellt. Das Gespräch schliesst mit einer Einschätzung zu den Zukunftsaussichten des Mikrofinanzbereichs.

Beispielfragen zu den jeweiligen Abschnitten:
1) Wie ist Ihr Interesse an Mikrofinanz entstanden? Welche konkreten Erfahrungen haben Sie besonders geprägt? Was reizt Sie an diesem Thema?
2) Welches sind Ihrer Meinung nach die bedeutendsten Anspruchsgruppen im Mikrofinanzsektor? Welche Anspruchsgruppen nehmen Sie insbesondere auf der Investorenseite wahr? Wie schätzen Sie die Machtverhältnisse und das Beeinflussungspotenzial zwischen diesen Anspruchsgruppen ein?
3) Wie würden Sie die ursprüngliche und derzeitige Mission der Mikrofinanzbewegung beschreiben und einander gegenüberstellen? Was verstehen Sie unter dem Begriff ‚Mission Drift' im Bezug auf den Mikrofinanzbereich? Welche Ereignisse verbinden Sie damit? Inwiefern ist Ihrer Meinung nach die Investorenseite von dieser Problematik betroffen? Welche Rolle spielen Ihrer Meinung nach die Investoren/Fondsmanager bei der Bewältigung der momentanen Herausforderungen der Mikrofinanzbranche?

Zum Forschungsleiter:
Marc Moser schloss 2009 das Studium der Betriebswirtschaftslehre an der Universität Zürich und der Stellenbosch University, Südafrika ab. Seit rund 3 Jahren arbeitet er vollzeitig als Forschungsassistent am Institut für strategisches Management unter der Leitung von Prof. Dr. Sybille Sachs und absolviert begleitet von Dr. Bruce Millett seit 2010 das Doktorandenstudium (DBA) als externer Student im Fernstudium an der Faculty of Business and Law der University of Southern Queensland (USQ), Australien. Für die erbrachten akademischen Leistungen im ersten und zweiten Semester 2010 erhielt er jeweils den ‚USQ Dean's Award for Outstanding Academic Achievements'.

Falls Sie weitere Informationen zur Studie wünschen, zögern Sie nicht den Forschungsleiter zu kontaktieren.

Consent form.

HREC Zulassungsnummer: H11REA068
An: …
Titel des Forschungsprojekts: Qualitative Fallstudienforschung zur Wahrnehmung und Werthaltung von Anspruchsgruppen des Schweizer Mikrofinanzsektors
Forschungsleiter: lic. oec. publ. Marc Moser

Hiermit willige ich ein, an dieser Studie teilzunehmen und

- bestätigt, dass ich das Informationsblatt für Studienteilnehmende zur Kenntnis genommen und den Ablauf und den Zweck des Forschungsprojekts, wie auch meine Teilnahme darin verstanden habe.

- nehme zur Kenntnis, dass ich die Teilnahme an diesem Forschungsprojekt jederzeit zurückziehen kann, ohne dass dies meinen momentanen oder zukünftigen Status im Bezug auf die an diesem Forschungsprojekt beteiligten Institutionen und Personen beeinflussen könnte.

- bestätige, dass ich über 18 Jahre alt bin.

- nehme zur Kenntnis, dass die Informationen, welche im Umfang dieser Studie gewonnen wurden zwar publiziert werden, meine Person jedoch anonym bleibt und identifizierbare Resultate vertraulich behandelt werden.

- nehme zur Kenntnis, dass ich während dieser Studie in Ton aufgenommen werde, die Tonaufnahme nur für diese Studie verwendet wird und unter Verschluss und nur für den Forschungsleiter zugänglich aufbewahrt wird.

Name des Teilnehmenden…………………………………………………

Unterschrift…………………………………   **Datum**…………………

Falls Sie irgendwelche ethischen Belangen mit der Durchführung dieses Forschungsprojekts oder sonstige Fragen über ihre Rechte als Teilnehmenden haben, wenden Sie sich bitte ohne zu zögern unter folgender Adresse an den ‚University of Southern Queensland Ethics Officer‘:

Ethics and Research Integrity Officer
Office of Research and Higher Degrees
University of Southern Queensland
West Street, Toowoomba 4350
Ph: +61 7 4631 2690
Email: ***ethics@usq.edu.au***

A.3. List of interview partners

The following table lists the respondents with whom a primary face-to-face interview was conducted. As indicated, some interview partners had formerly or presently multiple functions relevant to the context of this case study and were accordingly allocated to multiple stakeholder groups.[54]

Table A-2: **List of interview partners**

Name	Organization	Function	Date
Becker, Philipp M., Dr.	LGT Capital Management	Investment Strategist, Asset Allocation & Research	24-05-2012
Dreher, Christoph	Center for Social and Sustainable Products (CSSP)	Founding Partner	01-06-2012
	Enabling Microfinance AG	Fund Manager, Investment Controlling	
Elmer, Patrick	Credit Suisse	Head Microfinance, Private Banking, Switzerland	08-06-2012
Fischer, Marco	responsAbility Social Investments AG	Senior Research Analyst	24-07-2012
Geiger, Alfred	Raiffeisen Group Switzerland	Director Special Situations	18-07-2012
Karrer-Rüedi, Erna, Dr.	Eos Entrepreneur Foundation	Principal	21-06-2012
	Credit Suisse	Former Vice President Microfinance	
Knoepfel, Ivo, Dr.	onValues Ltd.	Founder and Managing Director	16-07-2012
Krauss, Annette, Dr.	Center for Microfinance (CMF), University of Zurich	Managing Director	23-11-2011 (Pilot)
Nicolodi, René, Dr.	Zürcher Kantonalbank (ZKB)	Head of Sustainable Investment, Asset Management	20-01-2012 (Pilot)

[54] This also explains for the overall number of frequencies, illustrated in Appendix B.2, which is normally higher than the sum of individual frequencies per stakeholder group.

Oehri, Oliver	Center for Social and Sustainable Products (CSSP)	Founding Partner	01-06-2012
	Enabling Microfinance AG	Founding Partner	
Michel, Rosmarie	Entrepreneur		17-04-2012
	Women's World Banking	Former Vice-Chair	
	responsAbility Social Investments AG	Member of the Advisory Board	
Müller, Kaspar	Ethos Foundation	President	30-08-2012
	responsAbility Social Investments AG	Chairman of the Board	
Ramm, Hans	Swiss Agency for Development and Cooperation (SDC)	Senior Policy Advisor, Financial & Private Sector Development	12-06-2012
Schnarwiler, Reto	Swiss Re, Global Partnerships	Head Americas & EMEA, Managing Director	03-10-2012
	responsAbility Social Investments AG	Member of the Board	
Weber-Berg, Christoph, Dr.	Reformed Church of the Canton Aargau	President of the Board	17-01-2012 (Pilot)

(Source: own table)

A.4. Summary of secondary data

In addition to the primary interviews specifically conducted for this case study, secondary interviews and documents have been analyzed as part of this research.

Secondary interviews. The following 16 interviews published or broadcasted in public media or by Swiss stakeholders from the microfinance investment network corroborated the primary evidence in this study.

Table A-3: **List of secondary interviews**

Interviewee(s)	Interviewer	Organization	Source	Date
Balkenhol, B.	Millar, A.	International Labor Organization (ILO)	Hanson Wade, www.microfinance-europe.com	May 2011
Elmer, P. & Hemrika, L.	Razavi, M.	Credit Suisse	Credit Suisse, Online Publications	23-05-2011
Huber, P., Lamas, M. D., Missbach, A.	Wettstein, W.	Various	Kassensturz, SF Schweizer Fernsehen	23-12-2008
Klumpp, J.-P.	n/a	BlueOrchard	Microfinance Focus	14-07-2010
Krauss, A.	Nickl, R.	Center for Microfinance (CMF), Univeristy of Zürich (UZH)	UZH Magazin	Feb. 2012
McDougall, D.	n/a	BlueOrchard	Microfinance Focus	22-08-2009
Michel, R.	Balogh, M.	n/a	Credit Suisse, Online Publications	29-08-2005
Michel, R.	Klatt, S.	n/a	Nachhaltigkeit.org	28-10-2009
Servet, J.-M.	Anderson, K.	The Graduate Institute for International Development Studies, Geneva	The Graduate Institute for International Development Studies, Geneva	15-12-2010
Speckhardt, C., MacDougall, D.	Fuchs, M.	BlueOrchard	Microfinance Focus	04-11-2009

Tischhauser, K.	Huber, D.	responsAbility Social Investments AG	Credit Suisse, Online Publications	05-01-2004
Tischhauser, K.	n/a	responsAbility Social Investments AG	BIB Fairbanking	01-07-2011
Tischhauser, K,, Presiwerk, M., Müller, K., Brenninkmeijer, S.	n/a	responsAbility Social Investments AG	CASH TV, SF Schweizer Fernsehen	25-04-2010
Vayloyen, A.	Balogh, M.	Credit Suisse	Credit Suisse, Online Publications	13-03-2006
Vayloyen, A.	Huber, D.	Credit Suisse	Credit Suisse, Online Publications	03-01-2005
Vayloyen, A.	Karabell, S.	Credit Suisse	INSEAD & Credit Suisse, Online Publications	14-05-2010

(Source: own table)

Documents. In addition to the secondary interviews with members of the Swiss microfinance investment stakeholder network, the following 57 publicly available practice-oriented documents completed the data basis for this case study. For their selection as secondary data material, they were required to fulfill all of the following criteria: related to microfinance investments, contain references to Switzerland or Swiss stakeholders and published within the last decade.

Table A-4: **List of secondary documents**

Author(s)	**Year**	**Title**	**Publisher**
Audran, J. & Berthouzoz, Y.	2009	Microfinance, an opportunity for socially responsible investment	Symbiotics Research & Advisory SA
BlueOrchard	2009	Promoting income-generating activities among the poor through private investments in microfinance	BlueOrchard
BlueOrchard	2010	Managing Commercial Investments in Microfinance with Sustainable Results: Social Performance Report	BlueOrchard
BlueOrchard	2011	BlueOrchard Social Performance Report 2011: Delivering on the promise	Blue Orchard
CGAP & Symbiotics	2009	CGAP 2009 MIV Survey: Market Data & Peer Group Analysis	CGAP & Symbiotics
CGAP & Symbiotics	2010	CGAP 2010 MIV Survey Report: Market Data & Peer Group Analysis	CGAP & Symbiotics
Credit Suisse	2009	Microfinance: Eine soziale Investition, die Chancen schafft	Credit Suisse
Dahinden, M.	2011	Mikrokredite sind eine wirksame Hilfe zur Selbsthilfe	Neue Zürcher Zeitung (NZZ)
De Lutzel, E.	2010	The Next Generation of Investors in Microfinance	BNP Paribas
De Schrevel, J-P., et al.	2010	BlueNews : Special Edition – Overindebtedness	BlueOrchard
De Schrevel, J-P., et al.	2009	BlueNews: Special Edition – Social Performance Report	BlueOrchard
De Schrevel, J-P., et al.	2009	BlueNews: Special Edition – Risk Management	BlueOrchard
De Schrevel, J-P., et al.	2005	BlueOrchard Finance: Linking Microfinance to International Capital Markets	BlueOrchard
Dominicé, R., et al.	2011	Swiss Microfinance Investments – From Early Growth Stage to Maturity: History, Current Developments and New Challenges	Symbiotics Research & Advisory SA
Dominicé, R.	2009	Microfinance: New Sustainable Investment Opportunities	Symbiotics Research & Advisory SA
Elmer, P.	2010	Mainstreaming Social Performance in Microfinance: Implementing the “double-bottom line”	Credit Suisse, Private Banking
Farnum, M.	2011	Habari! Newsletter responsAbility, No. 1	responsAbility Social Investments AG
Hechler-Fayd’herbe, N., Lüscher, Y.	2008	Microfinance : Microfinance Investment Vehicles (MIVs)	Credit Suisse
Hemrika, L., Cichon, A. M.	2011	Taking stock of Microfinance: Perception Survey Among Wealth Holders and Their Advisors in the	Credit Suisse, Microfinance Capacity Building

		US, Europe and Asia	Initiative
Jacquemart, C.	2011	Ein Wundermittel unter Beschuss: Die Idee der Mikrokredite ist über Nacht in Verruf geraten. Zu Recht?	NZZ am Sonntag
Klatt, S.	2009	Breathing Space for Microfinance	Credit Suisse
Lanz, M.	2011	Die Mikrofinanzbranche kommt in der Realität an – In Indien droht dem Sektor ein Regulierungsschub	Neue Zürcher Zeitung (NZZ)
Leshner, S.	2011	Microfinance Investors Explore Approaches to Address the Risks of Over-indebtedness	Consultative Group to Assist the Poor (CGAP)
Maier, R.	2011	Social Investments – Die doppelte Rendite	Schweizer Bank
Mommartz, R.	2010	habari! Newsletter responsAbility, No. 2	responsAbility Social Investments AG
Mommartz, R.	2011	habari! Newsletter responsAbility, No. 2	responsAbility Social Investments AG
Nairn, G.	2011	Wise Ethical Investment Seeks Profit	The Wall Street Journal Europe
Neue Zürcher Zeitung	2011	Der Anleger als Entwicklungshelfer	Neue Zürcher Zeitung (NZZ)
responsAbility	2005	responsAbility Global Microfinance Fund: 2005 Social Performance Report	responsAbility Social Investments AG
responsAbility	2006	2006 Social Performance Report: responsAbility Global Microfinance Fund	responsAbility Social Investments AG
responsAbility	2008	Social Performance Report 2008	responsAbility Social Investments AG
responsAbility	2009	Social Performance Report 2009: A report on the social and development performance of responsAbility's investment activities	responsAbility Social Investments AG
responsAbility	2011	Social Performance Report 2011: A report on the social and development performance of repsonsAbility's investment activities	responsAbility Social Investments AG
responsAbility	2012	Social Performance Report 2012: A report on the development performance of responsAbility's investment activities	responsAbility Social Investments AG
responsAbility	n/a	responsAbility Social Performance Indicators by investment theme	responsAbility Social Investments AG
responsAbility	2003	Guiding Principles – Our six guiding principles in microfinance investing	responsAbility Social Investments AG
responsAbility	n/a	Guiding Principles	responsAbility Social Investments AG

responsAbility	2003	responsAbility exclusion list for microfinance institutions	responsAbility Social Investments AG
responsAbility	2010	Medienmitteilung – responsAbility Global Microfinance Fund: vorübergehende Aussetzung der Ausgabe von Fondsanteilen	responsAbility Social Investments AG
responsAbility	n/a	responsAbility Discussion Paper 03: Den kommerziellen Finanzsektor für Mikrofinanz gewinnen	responsAbility Social Investments AG
responsAbility	n/a	responsAbility Discussion Paper 01: Microfinance works – Are interest rates required by Microfinance Institutions justifiable?	responsAbility Social Investments AG
responsAbility	n/a	responsAbility Discussion Paper 02: The Social Impact of Microfinance and How to Measure It	responsAbility Social Investments AG
responsAbility	n/a	responsAbility Discussion Paper 04: Corruption and financial crime – an issue in microfinance?	responsAbility Social Investments AG
responsAbility	n/a	responsAbility Discussion Paper 05: Consumer credits for the poor – risk or opportunity?	responsAbility Social Investments AG
Röttger, J.	2011	Mikrokredite: Fallstrick oder Strickleiter aus der Armut?	ECOreporter: Magazin für nachhaltige Geldanlage
SCBF	2011	Swiss institutions launch the Swiss Capacity-Building Facility in Microfinance and Microinsurance	Swiss Capacity Building Facility for Income and Employment Generation (SCBF)
Sparreboom, P.	2009	Will Microfinance Continue to do Well?	World Microfinance Forum Geneva (WMFG)
Speckhardt, C.	2009	responsAbility Marktkommentar: Mikrofinanz und die aktuelle Weltwirtschaftskrise	responsAbility Social Investments AG
Speckhardt, C.	2010	habari! Newsletter responsAbility, No. 1	responsAbility Social Investments AG
Symbiotics	2011	Symbiotics 2011 MIV Survey Report	Symbiotics Research & Advisory SA
Symbiotics	2012	2012 Symbiotics MIV Survey: Market Data & Peer Group Analysis	Symbiotics Research & Advisory SA
Tischhauser, K.	2006	Mikrofinanz-Fonds: Eine Performance mit sozialem Nutzen	responsAbility Social Investments AG
Tischhauser, K.	2009	habari! Newsletter responsAbility, No. 4	responsAbility Social Investments AG

Tischhauser, K.	2010	habari! Newsletter responsAbility, No. 3	responsAbility Social Investments AG
Tischhauser, K.	2011	habari! Newsletter responsAbility, No. 4	responsAbility Social Investments AG
Tischhauser, K.	2012	habari! Newsletter responsAbility, No. 2	responsAbility Social Investments AG
Vogel-Misicka, S.	2011	Micro money, mega results	Swiss Business

(Source: own table)

Appendix B: Data analysis

B.1. Code book

The code book that has been used in this study includes inductive and deductive codes and is here thematically categorized according to the overarching code families.

Table B-1: **Code book**

Code name	**Short description**
Stakeholders Switzerland (ST_CH_)	
Academia	Academic institutions, individual scholars or single research efforts in the field of microfinance
AKAM	Agha Khan Agency for Microfinance (microfinance fund)
BlueOrchard	BlueOrchard Finance SA (multi-fund microfinance asset manager)
Consultancy	Institutions or individuals providing consultancy on microfinance
Credit Suisse	Credit Suisse AG (Swiss universal bank)
Dfe Partners	Development Finance Equity Partners (microfinance fund)
ECLOF	Ecumenical Church Loan Fund (microfinance fund)
FIDES	Financial Systems Development Services AG, including swiss microfinance holding SA (consultancy and microfinance fund)
FIG	International Guarantee Fund (microfinance fund)
FINMA	Swiss financial market regulation
MIVs/manager	Microfinance asset managers, microfinance funds or investment vehicles, without reference to a specific institution/fund/MIV
GMG	The Global Microfinance Group SA (microfinance fund)
Individuals	Individuals committed to microfinance, mainly, but not necessarily on a personal basis
Investors	Microfinance investors, without reference to any specific group of investors
NGOs	Non-governmental or not-for-profit organizations with an interest in microfinance
Obivam	Obivam (microfinance fund)
Others	Swiss microfinance stakeholders other than the ones covered by specific codes
responsAbility	responsAbility Social Investments AG (multi-fund microfinance asset manager)
Retail banks	Retail banks distributing microfinance funds or engaged in microfinance in another form (other than Credit Suisse)
SDC	Swiss Development Agency
Symbiotics	Symbiotics SA Information, Consulting & Services (consultancy and multi-fund microfinance asset manager)

Wealth advisers	Wealth advisers as part of retail banks as well as independent wealth advisers specialized in microfinance (e.g., onValues Ltd.)
WMFG	World Microfinance Forum Geneva
Stakeholders foreign (ST_MF_)	
CGAP etc.	Transnational organizations specialized in microfinance, including competence centers and knowledge platforms (e.g., CGAP)
Clients	Microfinance clients in developing and emerging countries (e.g., the ‘unbanked poor’, microentrepreneurs, poor households)
Development aid	Stakeholders from public development aid in general, mainly international and development financial institutions (IFIs/DFIs)
MIVs/manager	Foreign microfinance asset managers, funds, or investment vehicles
Initiatives	Microfinance initiatives or initiatives with implications for microfinance (e.g., Social Performance Task Force, Smart Campaign, UNPIIFs)
Investors	Microfinance investors in general, without explicit reference to Switzerland
Media	All types of media reporting on or engaged in another form in microfinance
MFIs	Microfinance service providers, mainly, but not necessarily (commercial) microfinance institutions (MFIs)
NGOs	Foreign non-governmental or not-for-profit organizations with an interest in microfinance
Others	Other foreign or international microfinance stakeholders not covered by specific codes
Rating agencies	Rating agencies specialized in microfinance (e.g., MicroRate)
Regulators	Regulators including financial market authorities and governments of foreign countries
Retail banks	Foreign retail banks, mainly, but not necessarily downscaling local commercial banks
TNC	Transnational corporations (e.g., UN, ILO and WWB), without explicit reference to Switzerland, including IPOs
Yunus	Professor Muhammad Yunus
Stakeholder attributes (ST_AT_) (usually in combination with ST_CH/ST_MF-code)	
Action	Relevant current, past, future or desired action of stakeholder/group/ network
CH	General reference to Swiss microfinance stakeholder/group/network (e.g. Switzerland’s role in the microfinance sector)
Definition	Definition of a specific stakeholder/group/network
Institutional	Reference to institutional stakeholders (explicit; e.g., institutional investors)
Mission	Mission of a specific stakeholder/group/network
Most important	Reference to most important stakeholder from the respondents point of view (explicit)
Path dependency	Reference to path dependency of a specific stakeholder/group/network or the microfinance movement in general
Private retail	Reference to stakeholder from the private sector (explicit)
Public	Reference to stakeholder from the public sector (explicit)
Role	Actual or desired role of a specific stakeholder/group/network (except for investors – separate code)

Stakeholder relationship (ST_REL_)(usually in combination with ST_CH/ST_MF-code)	
Dual	Stakeholder relationship between 2 specific stakeholders
Value chain	Stakeholder interactions among 3 or more levels of the microfinance value chain
MVC	Stakeholder relationships in microfinance in general in the sense of mutual value creation
NW_CH	Stakeholder relationships within the Swiss microfinance network (reference to 3 or more stakeholders)
NW_INT	Stakeholder relationships within international microfinance networks (reference to 3 or more Swiss stakeholders)
PPP	Private public (development) partnership (PPP) in microfinance
Benefit and risk potentials (BP_/RP_)	
Adaptability	Capability versus incapability to adapt due to stakeholder relationship
Cooperation	Cooperation leads to benefits versus lack of cooperation leads to risks
Core values	Shared core values lead to benefits versus absence of shared core values leads to risks
Credibility	Stakeholder relation has a positive versus a negative influence on the credibility of a stakeholder
Dependency	Dependency on a stakeholder leads to risks or benefits, or independency leads to risks or benefits
Differentiation	Differentiation leads to benefits versus differentiation involves risks for value creation
Emotionality	From the emotionality that lies in stakeholder relationships arise benefits or risks.
Experiences	Shared experiences have a positive effect versus a lack of shared experiences leads to risks in value creation
Fairness	Fairness among stakeholders leads to benefits, while unfair behavior has a negative consequences for value creation
High exposure	Public or political exposure of a stakeholder leads to benefits or risks
Image	Relation between stakeholders has a positive (benefit)/negative (risk) influence on their image or reputation
Influencing capability	Capability of a stakeholder to have a positive (benefit)/negative (risk) influence on others
Information	Information, knowledge and communication as general benefit or risk potential in stakeholder relationships
Lobbying	Lobbying as the strategy to exert unilateral influence represents a benefit or risk for a stakeholder or value creation
Motivation	From a stakeholder interaction arises motivation that leads to benefits versus the risk of a lack of motivation.
Multifunctionality	Multiple functions and roles of a stakeholder in a network leads to benefits or risks for value creation
Network	Benefit and risk potential that arises from access to a network or new interactions within the network
Political cooperation	Political cooperation leads to benefits versus a lack of cooperation with political stakeholders leads to risks for value creation
Popular issue	Stakeholder takes up a popular issue in order to produce benefits versus the risk of failing to address a popular issue
Resources	Explicit reference to tangible or intangible resources that lead to benefits or risks for value creation
Service	Improved services lead to benefits versus insufficient quality of services leads to risks for value creation
Social responsibility	Willingness and actions to take social responsibility leads to benefits versus failing to take social responsibility leads to risks

Sponsoring	Sponsoring as a means to improve image, which leads to benefits versus sponsoring has negative consequences (risks) for the image
Transparency	Transparency in stakeholder relationships leads to benefits versus lack of transparency leads to risks for value creation
Trust	Stakeholder relationship that is based on trust leads to benefits versus a lack of trust causes risks for value creation
Network view (NW_)	
Competition	Interactions in the specific stakeholder network are characterized by competition or conflict
Dynamism	Stakeholder network is dynamic in the sense of change (e.g., entering of new stakeholders, turnover of positions, etc.)
Interaction	Characteristics and manifestations of stakeholder interactions in the specific network in general
Interaction_D	Variations in the way in which stakeholders in the specific network interact with each other over time
Partnership	Interactions in the specific stakeholder network are characterized by partnership, cooperation or collaboration
Perception microfinance (PC_MF_)	
Action	Actions that have or need to be taken to make microfinance in general sustainable and responsible
CH	Swiss microfinance activities in general
Commercialization	Microfinance sector’s commercialization, without negative connotation in the sense of an issue
Competition	Competition in microfinance markets (e.g., saturation of certain markets)
Definition	Definition of microfinance in general
Development tool	Microfinance as a development tool, including financial sector development
Expectations	Raising expectations about microfinance activities, also for investments
Financial dimension	Financial dimension or objectives in microfinance such as profitability or financial sustainability of MFIs
Financial inclusion	Microfinance as an instrument to promote financial inclusion or access to financial services in general
Future	Future of or outlook for microfinance in general
Growth	Growth of the microfinance sector or single institutions or levels of the value chain, including pressure, potential or need to grow
Impact	Impact/effectiveness of microfinance activities in general
Local funding	Local funding of MFIs through domestic financial markets, including savings, apexes, etc.
Mission	Definition of microfinance mission in general
Mission_D	Changes in the mission of microfinance over time
otherSTotherMOT	Other microfinance stakeholders with different motivation/values, mainly negative (e.g., merely profit-driven)
Poverty alleviation	Microfinance as an instrument to alleviate poverty
Professionalization	Professionalization of the microfinance sector or single institutions or levels of the value chain
Rating	Rating activities in microfinance, mainly on the level of MFIs, but also on the level of MIVs
Regulation	National or international regulation with an effect on microfinance activities

Reporting	Reporting in microfinance, mainly on the level of MFIs, but also on the level of MIVs
Resilience	Resilience as a characteristic of the microfinance sector, mainly from an investment perspective
Retail banking	Microfinance as normal retail banking for clients in developing and emerging countries
Risk	Specific or general risks involved in microfinance activities, except for funding or investments
Social dimension	Social dimension or objectives or return of microfinance such as social impact, increase in outreach, etc., also social performance management
Transparency	Transparency in the microfinance sector or of actions of single institutions at all levels of the value chain
Perception microfinance investment (PC_MI_)	
Actions	Actions that have or need to be taken to make microfinance investments in particular sustainable and responsible
Challenges	Challenges for microfinance investments in general
Concentration	Concentration of microfinance investments whether by region, market, institutions or investment vehicles.
Double bottom line	Double bottom line concept of microfinance investments
Due diligence	Due Diligence or selection process in which MFIs are assessed for investing, also monitoring of MFIs
Financial returns	Attractiveness of microfinance investments in terms of financial returns (e.g., stable, high return)
Financial sector development	Relation between microfinance investment and financial sector development
Future	Future of or outlook for microfinance investment in general
Institution building	Relation between microfinance investment and institution building
Liquidity	Liquidity level or cash position of MIVs, also inflow of capital, etc.
Local currency	Funding of MFIs in local currency
Portfolio diversification	Microfinance investments as means for portfolio diversification, also diversification of MIVs' lending portfolios
Risk	Specific or general risks involved in microfinance investments in particular
Role	Role of commercial investment/funding in microfinance in general, without reference to specific stakeholder
Social return	Attractiveness of microfinance investments in terms of social return (e.g. direct social impact)
Issues microfinance (IS_MF_)	
Crisis	Global financial crisis and ensuing economic downturn taking effect as of 2008
Andhra Pradesh	Microfinance crisis in the Indian state of Andhra Pradesh taking effect as of 2005 and more pronounced in 2010
Client protection	Client protection as an issue in microfinance (separate code for client protection principles)
Commercialization	Commercialization of the microfinance sector as an issue (negative connotation necessary, separate coding for general perception)
Consumer lending	Lending of loans for consumption purposes by microfinance service providers
Crowding out	Subsidized funding to microfinance service providers below market terms is crowding out commercial investments
Interest rates	High interest rates of microfinance service providers charged to clients

IPO	Initial public offerings (IPOs) of microfinance service providers
Overindebtedness	Overindebtedness of microfinance clients due to multiple lending
PC_GL	Issues in microfinance other than the ones with specific codes
Yunus	Professor Muhammad Yunus banned as a head of Grameen Bank or other issues related to him.
Engagement motivation (MOT_)	
MF_GL	General motivation for engaging in microfinance
MF_MVC	Motivation to contribute to mutual value creation in microfinance
MI_Financial	Motivation of engaging in microfinance investments is financial (e.g., financial return or portfolio diversification)
MI_GL	Motivation for engaging in microfinance investments is equally balanced
MI_Social	Motivation of engaging in microfinance investments is social (e.g., doing good, promote poverty alleviation, entrepreneurship or development)
Microfinance mission drift issue (MD_)	
Characteristics	Characteristics and manifestations of the microfinance mission drift issue
Definition	Definition of mission drift in microfinance
Event	Events related to the mission drift in microfinance
Existence	Basic question of whether mission drift in microfinance is actually an issue or not
Implications	Implications of mission drift in microfinance on the various stakeholders
Others	Other references to the microfinance mission drift issue (not covered by more specific codes)
GL_PC	General perception of the microfinance mission drift issue
Risk	Risk or danger of mission drift in microfinance at a given point in time
Values (VAL_)	
General	Values or mindset that generally relates to microfinance
MF	Values or mindset that potentially explain engagement in microfinance
MI	Values or mindset that potentially explain investment in microfinance
Technical codes (TEC_)	
Illustration	Technical code for all sorts of illustrations (e.g., images, tables and graphics)

(Source: own table)

B.2. Code frequencies

The following tables reveal the frequencies of the above codes in the overall data as well as for the single stakeholder groups. Without implying that any meaning can directly be drawn from these numbers, it is important to acknowledge that the volume of data was unequally distributed across the stakeholder groups.

Table B-2: **Code frequencies – stakeholders Switzerland**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Academia	9	9	31	42
AKAM	3	0	0	3
BlueOrchard	109	14	14	124
Consultancy	15	24	19	29
Credit Suisse	16	80	15	102
Dfe Partners	2	0	0	2
ECLOF	3	0	5	8
FIDES	3	1	5	9
FIG	3	0	1	4
FINMA	11	7	2	12
MIVs/manager	40	26	25	65
GMG	3	0	0	3
Individuals	2	6	43	48
Investors	68	59	39	126
NGOs	0	0	2	2
Obviam	3	0	0	3
Others	43	16	52	77
responsAbility	290	73	48	344
Retail banks	21	19	11	40
SDC	42	20	62	88
Symbiotics	21	13	7	30
Wealth advisers	6	25	9	35
WMFG	3	5	7	9

(Source: own table based on case study data)

Table B-3: **Code frequencies – stakeholders foreign**

	Asset managers	**Investors & advisers**	**Experts**	Overall
CGAP etc.	8	2	7	15
MF clients	120	52	74	208
Development aid	44	31	51	100
MIVs/manager	131	84	84	245
Initiatives	33	4	12	45
Investors	160	150	112	336
Media	17	12	11	34
MFIs	261	113	127	427
NGOs	11	4	11	22
Others	36	22	23	70
Rating agencies	13	14	15	34
Regulators	24	6	15	39
Retail banks int.	11	9	10	25
TNCs	5	4	11	16
Yunus	2	4	4	8

(Source: own table based on case study data)

Table B-4: **Code frequencies – stakeholder attributes and interactions**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Actions	172	78	65	266
Switzerland	20	10	24	39
Definition	97	28	36	141
Institutional	38	32	27	69
Mission	28	18	26	64
Most important	11	10	8	22
Path dependency	3	5	14	16
Private/retail	68	41	42	120
Public	18	20	13	43
Role of stakeholder	114	78	110	235
Relationship dual	194	131	119	374
Relationship value chain	40	27	21	68
Relationship MVC	27	8	7	34
Network Switzerland	30	19	23	53
Network international	17	5	6	24
Public private partnership	6	3	3	10

(Source: own table based on case study data)

Table B-5: **Code frequencies – stakeholder perceptions microfinance**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Action microfinance	51	42	53	117
Microfinance CH	14	9	7	15
Commercialization	67	42	39	113
Competition	48	17	16	65
Definition	17	13	9	31
Development tool	30	14	15	51
Expectations	15	8	11	25
Financial dimension	40	24	27	70
Financial inclusion	40	14	22	66
Future microfinance	35	24	38	77
Growth	95	30	43	144
Impact	48	17	17	70
Local funding	11	6	14	27
Microfinance mission	33	16	19	47
Change microfinance mission	4	8	11	16
Other motivation	29	29	32	56
Poverty alleviation	34	10	22	61
Professionalization	34	12	16	42
Rating	10	7	5	18
Regulation	50	14	16	69
Reporting	49	21	12	72
Resilience	12	5	2	15
Retail banking	4	0	5	8
Risk	81	31	40	128
Social dimension	83	27	36	122
Transparency	33	26	25	64

(Source: own table based on case study data)

Table B-6: **Code frequencies – stakeholder perceptions microfinance investment**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Action investment	36	28	32	75
Challenges	55	32	24	88
Concentration	13	1	0	13
Double bottom line	13	15	3	29
Due diligence	53	20	13	80
Financial returns	61	44	35	116
Financial sector development	28	2	14	40
Future investment	32	25	13	58
Institution building	9	2	11	21
Liquidity	42	22	11	58
Local currency	12	12	6	23
Portfolio diversification	55	37	37	100
Risk	74	43	43	125
Role of investment	28	19	18	51
Social return	50	21	6	69

(Source: own table based on case study data)

Table B-7: **Code frequencies – microfinance mission drift and related issues**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Characteristics	5	10	19	25
Definition	6	7	8	15
Event	6	6	9	16
Existence	4	3	1	5
Implications	1	3	3	5
Others	5	4	4	9
Mission drift general	9	11	14	24
Risk	11	12	8	22
Crisis	66	23	25	99
Andhra Pradesh	43	18	27	71
Client protection	20	1	5	26
Commercialization	5	2	2	7
Consumer lending	9	7	4	15
Crowding out	17	15	14	34
Interest rates	3	3	1	5
IPO	29	13	14	40
Overindebtedness	67	6	26	95
Issues general	48	30	33	98
Yunus	3	2	9	11

(Source: own table based on case study data)

Table B-8: **Code frequencies – stakeholder network view**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Competition	3	5	3	7
Dynamism	3	4	5	10
Interaction	18	10	13	31
Changes interaction	3	4	5	7
Partnership	8	12	11	24

(Source: own table based on case study data)

Table B-9: **Code frequencies – benefit potentials (top-12)**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Information	35	22	24	68
Influencing capability	18	19	21	41
Experience	23	14	9	38
Social responsibility	23	7	9	33
Cooperation	25	5	4	31
Differentiation	14	3	3	17
Trust	7	3	4	13
Resource	2	2	6	10
Image	4	5	3	9
Service	3	1	3	7
Credibility	7	0	1	7
Dependency	3	2	3	6
Transparency	5	0	2	6

(Source: own table based on case study data)

Table B-10: **Code frequencies – risk potentials (top-12)**

	Asset managers	**Investors & advisers**	**Experts**	Overall
Information	16	22	18	42
Image	23	11	9	39
Influencing capability	5	9	17	23
Political cooperation	7	3	7	12
Dependency	6	6	4	11
Credibility	1	6	3	8
Trust	3	3	3	8
Adaptability	1	1	2	3
Cooperation	3	2	2	7
Core values	2	1	3	6
Transparency	3	2	2	6
Differentiation	4	0	0	4

(Source: own table based on case study data)

Table B-11: **Code frequencies – stakeholder motivation and values**

	Asset managers	**Investors & advisers**	**Experts**	Overall
General microfinance	41	26	32	79
Mutual value creation	9	5	7	13
Financial investment	46	50	34	89
General investment	56	58	29	106
Social investment	32	30	21	67
General values	11	9	9	22
Values microfinance	48	40	39	94
Values investment	40	43	24	82

(Source: own table based on case study data)

B.3. Co-occurrences

Table B-12: **Co-occurrences**

Co-occurrences – PC_MF_Growth	**Hits**
PC_MF_Action	15
PC_MF_Future	15
PC_MF_Risk	29
PC_MI_Actions	4
PC_MI_Future	11
PC_MI_Risk	15
Co-occurrences – PC_MF_Risk	
PC_MF_Action	21
PC_MF_Future	16
PC_MF_Growth	29
Co-occurrences – PC_MI_Risk	
PC_MF_Growth	15
PC_MI_Actions	12
PC_MI_Future	14

(Source: own table based on case study data)