Original Article

The 'Whys' and 'Hows' of ethical investment: Understanding an early-stage market through an explorative approach

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ABSTRACT Over the last decade, markets for investments have changed in Europe. Consumers have become more aware of ethical standards and violations of social values and norms. While in some countries, such as the United States, this change took place decades ago, the market for ethical investment in Europe is still at an early stage. The present study investigates the underlying motives for ethical assets of consumers in early-stage markets. Using seven interviews with financial experts and five focus groups with ethical and conventional investors, we examine how investors view ethical investment, how ethical investors are described in terms of socio-demographics and personality characteristics, and which attitudinal factors are related to ethical investment behaviour. Interviews and focus groups are recorded and qualitatively analysed according to grounded theory. Ethical investment is found to be characterised through negative and positive ethical criteria. Our findings demonstrate how essential it is for ethical investors to lead a certain lifestyle driven by particular ecological and social values. Attitude theory serves to explain ethical investment behaviour. Conclusions for the marketing of ethical investment funds and for future research are drawn.
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THE 'WHYS' AND 'HOWS' OF ETHICAL INVESTMENT: UNDERSTANDING AN EARLY-STAGE MARKET THROUGH AN EXPLORATIVE APPROACH

Financial analysts are observing a steady change in asset markets. Ethical investment is on the rise. Ethical investment stemmed originally from nineteenth-century religious groups in the United States that wanted to invest according to their morals.[1–3] They avoided putting their money in so-called 'sin stocks' – shares of companies that were involved in the production or business of alcohol, tobacco or gambling, even if the financial return might have been high. Subsequently, the notion of ethical investment spread to the United Kingdom, where the first ethical fund was launched in 1984. Today, the market for ethical investments is rapidly expanding throughout Europe.[4] At present, several private and institutional investors are changing their portfolios to include ethical assets. In Austria, for example, in 2003 there were 32 ethical investment funds available to private investors, while 15 years ago there were none.

Although ethical investment is of great interest to many investors today, there is no consensus on the definition of ethical investment.[5,6] The terms 'ethical investment' and 'socially responsible investment' can be used both synonymously and differently (see Sparkes[3] and Taylor[7]). Subsequently, the term 'ethical investment' is utilised; it will synonymously stand for 'socially responsible investment'.

We begin with a definition of ethical investment and discuss criteria that investors use for choosing their investment. Next, we develop a market stage model of financial markets for ethical investment. Finally, we utilise the theory of planned behaviour to shed light on ethical investors' attitudes towards and motivations for investing ethically and conclude by discussing contributions to systematic research on ethical investments.

ETHICAL INVESTING BY AVOIDING NEGATIVE ETHICAL CRITERIA

Ethical investment can be defined and further distinguished according to the following criteria: (a) exclusion of unethical companies, (b) exclusion of unethical companies and inclusion of ethical companies, and (c) shareholder activism.

(a) Due to religious foundations, ethical investment can be defined by the exclusion of unethical companies. It is characterised as an investment where investors do not tolerate the unethical behaviour of companies. Ethical investors invest where their morals are, and exclude companies that conduct business unethically. Anand and Cowton[8] investigated which negative ethical criteria investors use to choose their investment. Using data from the British Ethical Investment Research Service (EIRiS) – EIRiS rated companies solely by means of negative ethical criteria – they distinguished between five components: (a) left-of-centre, 'post-industrial' orientation (nuclear power, animals, sales to military purchasers, political contributions, financial institutions), (b) sin stocks (alcohol, gambling, tobacco), (c) 'mistrust' (spread of overseas interests, proportion of business overseas and advertising), (d) undue influence (size of company, newspaper production and television), and (e) human rights/pacifist factor (sales to military purchasers or South Africa); Anand and Cowton's (1993) paper was published before all-race elections in South Africa took place in April 1994. Therefore, apartheid in South Africa was a major topic. A questionnaire completed by Britons[9] revealed similar results. Respondents defined ethical investment as the exclusion of companies that produce nuclear weapons, that do business with South Africa, or that are involved in environmental pollution or the tobacco industry. This ethical investment practice was applied by investors when ethical investment was introduced to financial markets.[2,4]

(b) The first original definition, the exclusion of unethical companies, is broadened by the inclusion of ethical companies. 'Ethical investment is the practice of investing in companies which pass a series of "negative" ethical criteria and satisfy positive ones' (Lewis *et al*,[2] p.165; see also Mackenzie,[10] McLachlan,[11] Waring and Lewer,[12] and Winnett and Lewis[13]). On the one hand, ethical investors exclude shares of certain companies that conduct business unethically from their portfolios. On the other hand, corporations that conduct business ethically are included in potential investments (see also Lewis and Mackenzie,[14] Maignan *et al*,[15] Most[16] and Shaalan[17]). The investment practices of exclusion and inclusion are widely used in the United Kingdom. But in other European countries, investment funds have only recently begun to screen for negative and positive ethical criteria.

(c) The third type of ethical investment is called *shareholder activism and active engagement*, and is often used by institutional investors and fund managers[18] (see also Haigh and Hazelton[19]). These investors argue that owning shares of a company makes them partial owners, which entitles them to a say in company policies. By participating in annual general meetings, these investors try to change any company activity with which they disagree. In the United Kingdom, shareholder activism has begun to appear,[4,18] however in other European countries, active engagement is not yet in practice.

From the type of ethical investment that is in practice, one can induce the stage of the market for ethical investment (Figure 1). The exclusion of unethical companies is related to an early-stage market, when few investors are interested in ethical investment and when there is little choice of different ethical assets. The concurrent exclusion of unethical companies and inclusion of ethical companies is associated with a developing-stage market. In this market, some investors are buying ethical investments, but the concept of ethical investment is unknown to investors at large. Active engagement indicates an advanced-stage market, in which the notion of ethical investment is spread by ethical investors to transform business conduct. Ethical investors intervene with immoral companies' policies with the goal of changing the offending activities and policies. Thus, in the advanced-stage market, ethical investment is well known.

Investment, as generally defined, means ownership acquired for future financial return or benefit. Consequently, it can be assumed that investors expect to make financial profit not only with conventional investments, but also with ethical investment. Nevertheless, some investors doubt that ethical investment can offer financial benefits. This argument is supported by a few studies (for example, Tippet[20]), but is disproved by some others (for example, Cummings,[21] Le Maux and Le Saout,[22] and Scholtens[23]). Overall, financial analysts and experts agree that in the long run ethical investments can be profitable and lucrative.

ASSESSING ETHICAL INVESTORS' ATTITUDES AND MOTIVATIONS

According to rational decision theorists, investment decisions are made rationally and selfishly, because moral considerations would introduce inefficiency by reducing the number of investment options.[24,25] Therefore in line with portfolio theory,[26,27] moral considerations would either increase risk or reduce profitability of the portfolio, making it less efficient than conventional portfolios. Following this logic, only financial considerations should govern investment decisions. However, the increasing market demand for ethical investment indicates that investment decisions are influenced

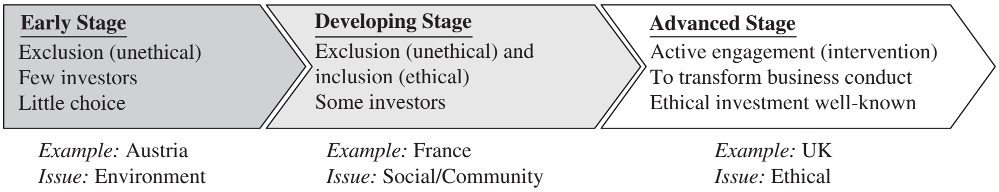

Figure 1: Market stages of financial markets for ethical investment.

not only by financial benefits, but also by additional factors, such as attitudes and moral considerations.

In this vein, psychologists grant individuals various forms of motivation. Ajzen’s[28] theory of planned behaviour is one useful approach to elucidate ethical investment behaviour. From this point of view, investors’ attitudes toward ethical investment, the subjective norm concerning ethical investment and the perceived behavioural control of investing ethically are of importance. These three factors influence the intention to invest ethically, and consequently, the actual investment behaviour. Using the theory of planned behaviour, ethical investment can be ascribed to motives other than monetary ones.

In the current literature on ethical investment, data on lifestyle and socio-demographics is predominant. In a questionnaire study, Lewis and Mackenzie,[14,18] found that investors’ motivation originates from their lifestyles (see also Michelson *et al*[25] and Lewis[30]). According to the findings, approximately half of the British ethical investors work in the education or health sector, they are more likely to be members of the Labour Party, the Liberal Democrats or the Green Party than of the Conservative Party. Additionally, they are members of charitable organisations, such as Amnesty International and Greenpeace. Furthermore, the percentage of women who are interested in ethical investment is higher than the percentage of female conventional investors. McLachlan and Gardner[11] affirm the importance of ethical investors’ lifestyles. They found that for ethical investors, ethical issues are significantly more important than they are to conventional investors, but the investors are similar in terms of age, educational background and income level. Ethical investors are also motivated by the belief that their ethical investment can change a company’s conduct, and therefore business in general[18,19] (for union financial activism see Sparkes and Cowton)[31].

The present paper reveals insights into ethical investment behaviour in an early-stage market, exemplified by the Austrian market. Due to the lack of research on early-stage markets and the lack of theoretical underpinnings, basic research is needed. (a) Investors’ views on how ethical investment is perceived in an early-stage market are needed. In Austria, some funds screen for negative ethical criteria and some for negative and positive ethical criteria.[4] According to this, the Austrian market for ethical investment is at an early stage of development, where the definition of the first form of ethical investment is seldom distinguished from the second. (b) Research on socio-demographic characteristics and personality attributes of ethical investors on an early-stage market is needed. Research about socio-demographic data and the personality of ethical investors mainly stems from the United States and the United Kingdom. But while the stock exchanges in the United States and the United Kingdom were already well developed, the boom of private investors on the Austrian stock exchange began first in the late 1980s.[29] According to different developments of stock markets, it is expected that Austrian ethical investors show particular attitudes that are specific to an early-stage market. (c) As current research about factors that influence ethical investment behaviour does not offer a theoretical basis, one needs to be provided. The theory of planned behaviour[28] is such a theoretical basis; it is a well established and often empirically verified model to explain various kinds of behaviour, such as environmental friendliness[32,33] and health promotion,[34] among these other things also ethical investment behaviour.[35,36] According to the theory of planned behaviour, ethical investment behaviour can be attributed to the desire to invest ethically, which can be attributed to attitudes toward investing ethically, subjective norms to invest ethically and a perceived behavioural control to invest ethically; and thus, it provides a relevant theoretical basis. According to previous findings, ethical investors are motivated by the belief that they can change the world for the better.[18,19,33,37]

Following a review of the literature on ethical investment, appropriate questions were developed to guide our research process. This study focuses on three main questions: (a) How do investors view ethical investment in an early-stage market? (b) What are the socio-demographic characteristics and personality attributes of ethical investors in an early-stage market? (c) Which factors based on the theory of planned behaviour[28] influence ethical investment behaviour?

METHOD

The wide approach of the present study calls for a qualitative method, as qualitative methods offer several advantages: (a) they provide insights into unexplored issues, (b) they allow dynamic research approaches, in which data are repeatedly collected and analysed based on earlier results, (c) 'they find meanings behind numbers',[38] and (d) they give a clear picture of the context, when too much data might prove a distraction.[39–41] Therefore, in the current study, textual data from in-depth interviews and focus groups were analysed.

A grounded theory approach was used to gather and analyse these qualitative data.[42] In grounded theory, induction is used to develop a theory based in systematically gathered and analysed data.[43,44] As data collection and analyses are interrelated processes, the related sampling procedure is also based on theoretical grounds.

Sample

As the research questions focused on investors' perception of an early-stage market, on attributes of ethical investors and on factors influencing ethical investment, there were three different groups of participants necessary to answer these questions from their specific point of view and give a broad overview of the topics. Experts, dealing professionally with ethical investment as financial advisors and fund managers, especially could give their view on the status of the ethical investment market and the attributes of their customers. Because of the early-stage market in Austria, there were just a few people professionally focusing on ethical investment; from an overall list of experts from different backgrounds, such as employees of financial institutions, financial advisors and academics, seven interviewees were selected. Ethical investors, investors who willingly invest at least a small proportion of their capital in ethical investments, in particular could reflect on their perception of offered ethical investments and on the factors that motivated them to invest ethically. These participants were recruited for focus groups via associations, where their main purpose was to discuss ethical investment issues with their members. Finally, conventional investors, that is, investors who do not invest in ethical investments, specially could share their view of ethical investment on the market and give their motives to invest conventionally. These investors were mainly contacted for the participation in focus groups via personal contacts.

Thus seven interviews with experts and five focus groups with ethical and conventional investors were conducted. The interviews took place in Vienna, Austria between May and September 2003. Each interview lasted about 1 hour. Interviewees were experts in their fields, and mainly were either in charge of ethical investment funds or were financial advisors; only one interviewee was a university lecturer specialised in sustainability ratings of companies listed on the stock exchange, and another was the publisher of a monthly magazine rating international incorporations concerning their sustainability. They were randomly picked from a pool of a few individuals in Vienna dealing with ethical investment professionally. All agreed to discuss the issue of ethical investment. Of the seven, there was one female, and their ages ranged from 32 to 46 years (Table 1). During the same 4-month period, five focus groups were conducted. They were run by one moderator and an observer at the University of Vienna, and lasted for about 90 min. The observer guaranteed the objectivity of the moderation by monitoring the focus groups and by recording significant details. Ethical investors and conventional investors discussed the issue of ethical investment in separate groups. In total, there were three groups of ethical investors and two groups of conventional investors. Each group consisted of three to six discussants (overall, nine ethical investors and 12 conventional investors). While the ethical investors had been recruited in organised meetings of ethical investors associations, the conventional investors had been invited via personal contacts. Nine male and three female conventional investors and four male and five female ethical investors took part; their ages ranged from 24 to 67 years; they worked in various kinds of businesses, for example, in medicine and in the IT industry; and four were retired (Table 1).

As Table 1 shows, ethical and conventional investors did not differ in their professions: they work, for example, in marketing, in IT or in psychosocial areas. They differed in age, sex, income and invested capital. Ethical investors were of an average age of 49 years, conventional investors of 38 years. Fifty-five per cent of ethical investors were women, whereas 25 per cent of conventional investors were women. The average monthly net income of ethical investors (1800 euros) was lower than the average monthly net income of conventional investors (2350 euros). Nevertheless, ethical investors had on average more capital invested (23 060 euros) than did conventional investors (12 040 euros). On average 64 per cent of ethical investors' capital was invested in ethical funds.

Interview and focus groups guidelines

The topics discussed in the interviews and focus groups concerned (a) the views of ethical investment, (b) characteristics of ethical investors, and (c) factors influencing ethical investment behaviour. A set of questions served as guidelines for the interviewer and the focus group moderator. They included questions on (i) the definition of ethical investment; (ii) the characteristics of ethical investors as related to the socio-demographics and personality of a stereotypical ethical investor; and (iii) the process of selection, motivations and attitudes related to ethical investment (for example, the influence of the attitudes of other persons towards ethical investment, the opportunities to invest ethically and the motives for investing). These questions enhanced the objectivity of the study, and also allowed for flexibility in responding to the participants' answers (for example, when participants touched on a topic that was supposed to feature later in the discussion, it was possible to elaborate on this topic when it was present).

Table 1: Participants' socio-demographics (gender, age, profession, net-income, invested capital and percentage of capital invested in ethical investments) for experts, ethical investors and conventional investors

	Gender	Age	Education	Profession	Net income	Capital	Percentage
Experts							
E1	M	46	—	Editor of financial magazine	—	—	100
E2	M	—	University	Fund management	—	—	—
E3	M	—	—	Financial advice	—	—	30
E4	M	34	—	Fund management	—	—	100
E5	F	—	—	Financial advice	—	—	20
E6	M	—	University	University lecturer	—	—	—
E7	M	—	University	Financial advice	—	—	—
Ethical investors							
EI01	F	37	University	Medical research	—	—	100
EI02	M	37	Polytechnic	Purchasing	1800	15000	20
EI03	M	37	Polytechnic	Sales and product development	2200	3000	100
EI04	F	35	University	Ad writing	1800	350	60
EI05	M	64	University	Retirement	1800	40000	—
EI06	F	63	Secondary school	Retirement	1000	—	2
EI07	M	39	University	Company technician	1200	20000	100
EI08	F	62	University	Psychotherapy	2600	60000	—
EI09	F	67	Secondary school	Retirement	2000	—	—
Conventional investors							
CI01	F	29	University	Journalism	1200	1000	0
CI02	F	39	University	Senior management	—	—	—
CI03	M	24	University	Political management	1600	9000	—
CI04	M	46	University	Marketing and sales	4000	40000	0
CI05	M	60	University	Medical science	—	—	—
CI06	M	30	University	Software management	2800	5000	0
CI07	F	28	Secondary school	Nurse	500	3800	—
CI08	M	38	University	Medical science	—	—	—
CI09	M	50	University	Sales	4000	20000	—
CI10	M	27	University	Coaching	—	6000	—
CI11	M	52	Secondary school	Information technology	—	—	0
CI12	M	31	University	Bank software	—	—	0

Procedure

The content of the interviews and focus groups was the basis of the analysis. For purposes of examination and replicability, the interviews and focus groups were audio and video recorded and transcripts were subsequently created. This resulted in seven interview-text-documents and in five focus-group-text-documents. Observations of moods of the interviewees and discussants, of distractions or unexpected occurrences during the interviews and discussions were noted in three memos, that is, multiple sources of evidence in order to guarantee construct validity.[45]

Two researchers explored these 12 documents and three memos with QSR NVivo,[46] software designed to assist in qualitative data analyses. Researchers were guided through the measurement process by using a protocol that increased the reliability of the study and facilitated the replicability of procedures.[45]

RESULTS

Analysis

The analysis followed three steps: (1) organising the data, (2) coding the documents, and

(3) searching the documents and coded paragraphs for similarities and differences.
(1) *Organising data*: In the first step, the documents and memos were imported into NVivo and structured by headings. Attributes of interviews and focus groups, such as dates and durations, and attributes of participants, such as gender and profession, were also linked to the documents.
(2) *Coding documents*: In the second step, two researchers conducted two different independent analyses of the text documents. The coding process was an ongoing interpretation and examination of textual data from different perspectives. *A-priori* and *a-posteriori* categorisation of data was used. *A-priori* categorisation included the development of a categorisation scheme based on theory and literature. *A-posteriori* categorisation was applied after data had been collected. Each text section was coded following (a) open, (b) axial, and (c) selective coding processes. (a) Open coding is used in the beginning of the coding process to discover categories and identify concepts within data. Each researcher freely added concepts that were discussed afterward. Ninety-two categories were created by open coding. (b) Axial coding as a next coding strategy applied concepts to empirical data. Categories were related to their subcategories and overlaps of related categories were identified. By coding data axially, categories gained depth. As a result, seven categories were added, thus 99 codes remained. Finally, (c) selective coding was applied. Categories were integrated and refined, so that 61 codes were generated (Tables 2, 3, and 4).
(3) *Searching the documents*: In the third step, combinations of documents and attributes were investigated to answer the three research questions.

(a) How do investors view ethical investment?
In order to find out how investors view ethical investment, data from the experts' interviews and investors' focus-group discussions were combined in the analysis and thus represent triangulation.[47] Experts' opinions were on investors' behaviours and therefore represent a more external view, whereas investors themselves reported on their or their peers' behaviours. Overall, this helps to establish a chain of evidence.[48]

Findings revealed that the experts interviewed, as well as ethical and conventional investors from the focus groups view ethical investment not only through negative and positive ethical criteria, but also by its financial performance. The amount of negative ethical criteria (Table 2) slightly outweighed the positive. First, ethical investment praxis is the exclusion of unethical companies according to negative ethical criteria. For negative ethical criteria, participants mainly mentioned disadvantageous labour conditions (for example, *No money for child labour!* – an ethical investor; examples of participants' statements were translated from German into English), but 'sin stocks', such as the alcohol, tobacco and pornography industries, and environmental pollution, were also raised (for example, *I can only think of a few terms, but it should not go into arms trade, there shouldn't be child labour involved and the working conditions should be ecologically clean and a reasonable salary should be paid.* – an ethical investor). Although experts and ethical investors reported the same negative ethical criteria, conventional investors reported generally less criteria, and the criteria were more personal (for example, *Some are more discriminating against employees, I'd say very drastically, that they do not employ blacks, because they just don't want it. Or they discriminate against women in some way, that they are fired, or when they are pregnant that they can't come back.* – a convential investor). They were not yet interested in ethical investment, and thus, had not thought about criteria they would apply to distinguish ethical from conventional investments.

Second, ethical investment praxis is the inclusion of ethical companies regarding positive ethical criteria. Although all participants stated less positive than negative

Table 2: Experts' and investors' view of ethical investment NVivo-codes and their absolute assignment in the text documents, that is, number of times participants addressed the topics

	Experts	*Ethical investors*	*Conventional investors*	*Total*
Number of codes	29	28	19	29
1 Ethical investment	25	4	11	40
1.1 Negative ethical criteria	25	17	1	43
1.1.1 Disadvantageous labour conditions	4	15	5	24
1.1.1.1 Child labour	17	6	8	31
1.1.2 Weapons industry	15	8	1	24
1.1.3 Alcohol industry	6	1	4	11
1.1.4 Tobacco industry	8	1	1	10
1.1.5 Pornography industry	3	3	0	6
1.1.6 Environmental pollution	4	8	4	16
1.1.7 Unethical business conduct	2	3	0	5
1.1.7.1 Fraud	6	2	0	8
1.1.7.2 Globalisation	2	4	1	7
1.1.8 Nuclear power	5	3	0	8
1.1.9 Social inequality	1	3	0	4
1.2 Positive ethical criteria	24	10	4	38
1.2.1 Environmental protection	8	11	3	22
1.2.1.1 Economising of energy	4	12	0	16
1.2.1.2 Wind power	10	4	0	14
1.2.1.3 Economising of natural resources	2	6	0	8
1.2.2 Advantageous labour conditions	15	6	6	27
1.2.2.1 Leadership	3	2	1	6
1.2.2.2 Salary	3	0	3	6
1.2.2.3 Women at work	2	2	0	4
1.2.3 Product type	4	6	0	10
1.2.4 Improvement of education	2	3	2	7
1.2.5 Social equality	1	2	3	6
1.3 Financial performance	17	11	5	38
1.3.1 Positive financial performance	7	6	1	14
1.3.2 Negative financial performance	4	4	5	13
Number of coded passages	229	163	69	461

ethical criteria, they were more multifarious (Table 2). The experts and both types of investors expressed issues such as advantageous labour conditions, environmental protection and product type (for example, [Ethical investment is,] *how ecologically and sustainable a company operates.* – an ethical investor; or: *The ethical issue is always strongly linked to the ecological and both are for me issues of sustainability: how sustainably does a company operate with human resources [...], and with regard to raw stock; does it introduce certain recycling processes.* – an ethical investor). Although they spoke in the context of negative ethical criteria, for example, of environmental pollution in general, they differentiated between several types of environmental protection in the context of positive ethical criteria, such as economising energy, wind power and natural resources. However, often the criteria are also combined (for example, *It's not only that a company that operates in this manner, which produces according to these criteria, employs only – let's say, maltreated women, so that they have a job, it is more that a company that has a good business idea I believe in and that they produce according to excluding criteria.* – an ethical investor). Again, because of the lack of interest, conventional investors generally

Table 3: Socio-demographic characteristics and personality attributes of ethical investors assigned by experts and investors. NVivo-codes and their absolute assignment in the text documents, that is, number of times participants addressed the topics

	Experts	*Ethical investors*	*Conventional investors*	*Total*
Number of codes	10	9	6	10
2 Ethical investor	3	3	2	8
2.1 Demographics	7	4	1	12
2.1.1 Age	6	13	0	19
2.1.2 Income	4	4	1	9
2.1.3 Sex	5	1	0	6
2.2 Personality	1	3	3	7
2.2.1 Critical	13	4	0	17
2.2.2 Interested	9	3	4	16
2.2.3 Socially active	2	7	0	9
2.2.4 Risk averse	1	0	4	5
Number of coded passages	51	42	15	108

Table 4: Factors influencing ethical investment behaviour, defined by experts and investors. NVivo-codes and their absolute assignment in the text documents, that is, number of times participants addressed the topics

	Experts	*Ethical investors*	*Conventional investors*	*Total*
Number of codes	20	18	18	21
3 Factors influencing ethical investment behaviour	0	0	0	0
3.1 Attitudes	13	11	4	28
3.2 Subjective norms	21	19	13	53
3.2.1 State	5	15	2	22
3.2.2 Cultural environment	6	2	14	22
3.2.3 Significant others	6	6	0	12
3.2.4 Religion	7	0	2	9
3.2.5 Media	2	2	1	5
3.3 Perceived behavioural control	7	5	12	24
3.3.1 Choice	8	24	7	39
3.3.2 Trust	8	32	10	50
3.3.3 Ethical entity	15	11	13	39
3.3.4 Seals of approval	2	4	8	14
3.4.5 Indexes	4	4	5	13
3.4 Motives	11	14	8	38
3.4.1 Financial reward	17	15	12	44
3.4.2 Promotion	5	18	2	25
3.4.3 Clear conscience	10	10	2	22
3.4.4 Donation	3	11	3	17
3.4.5 Environmental protection	1	9	1	11
3.4.6 Game	1	0	4	5
3.4.7 Sense	2	2	0	4
Number of coded passages	154	214	123	491

reported less positive ethical criteria than did the experts and ethical investors.

The financial performance of ethical investment was an issue of interest to all participants. Experts and ethical investors generally talked more about performance than conventional investors, they were also certain that ethical investment was lucrative (for example, *I simply believe that ecological or ethical investment is absolutely profitable.* – an ethical investor). An expert states for example that *there is a growing group of more performance-oriented who think that companies generate an economic benefit from their ethical policy, in the sense of ecological efficiency and social efficiency. That's long term orientation versus short term shareholder-value orientation.*

Conventional investors expressed more concerns that the performance was negative (Table 2). Conventional investors characterised ethical investment as unprofitable asset (for example, *I allege that ethical investment doesn't yield so much profit.* – a conventional investor), or as renouncing profit (for example, *Who can afford such an ethical investment? If you have to renounce the profit so to say.* – a convential investor).

(b) What are the socio-demographic characteristics and personality attributes of ethical investors?

In principle, the participants did not describe a stereotype of ethical investors (for example, *I don't think that certain types, kinds, occupational groups, sexes, etc are typical, because the group* [of ethical investors] *is becoming bigger.* – an ethical investor). Nevertheless, ethical investors and experts reported that ethical investors tend to be between 30 and 50 years old and must earn a certain amount of money to enable them to invest (Table 3). Experts stated that significantly more women are interested in ethical investment than are interested in conventional investment. As conventional investors were not familiar with ethical investment, they had not thought about socio-demographic characteristics and personality attributes of ethical investors and reported only a few ideas.

The experts, ethical investors and conventional investors all agreed that ethical investors had particular personality characteristics (Table 3). Experts argued that ethical investors were more critical than other persons, and ethical investors stated that they are more interested in social and environmental issues than conventional investors (for example, *Someone who is more conscious, who thinks more, or who looks a bit behind the things. Not shallow!* – an ethical investor). They also stated that they participated in many social activities, and enjoyed communicating with others. Because of disinterest, conventional investors did not have a well-developed idea of ethical investors' personalities.

(c) Which factors influence ethical investment behaviour? Evidence from the theory of planned behaviour.

Based on the theoretical concept of Ajzen,[28] ethical investors' attitudes toward investing ethically partially explain their investment behaviour. Experts and ethical and conventional investors agreed that ethical investors held 'certain' attitudes, which influenced their investment decisions (Table 4). Their descriptions of these attitudes were relatively vague (for example, *I hold certain values and certain moral standards, and I want to live by them.* – an ethical investor). Mainly, experts and ethical investors reported an ecological tenor, a few referred to the values of the 1968 activists, where philanthropy was at the centre of attention. Both arguments proposed that ethical investors would follow a lifestyle focussing on long-term plans, sustainability, environmentally friendliness and philanthropic values, which bolstered ethical investment, as an expert puts it: *Green-thinking and green-investing people know that overnight nothing will happen and that they invest basically into the future of their children; they themselves do not live to see that, that's what I hear very often.*

Subjective norms present another factor which, according to Ajzen,[28] influences investment decisions. Generally, all participants reported that their investment decisions were not, or were only rarely affected, by significant others, friends, relatives or the society as a whole (Table 4). According to the experts and investors, this might be due to the fact that people in principle do not talk about money issues (for example, *Normally, you do not talk about money with strangers or acquaintances.* – an ethical investor), and therefore perhaps individuals perceive direct social influence less powerfully. Nevertheless, while talking about their motives, many experts and ethical and conventional investors believed that individuals would (or should) invest ethically because they perceived it as a norm of certain groups, such as the Catholic Church. They also reported that the media or publications influence their behaviour (for example, *There is this 'No Logo' [book]. These are the driving forces. A single publisher, or via the internet or via people or magazines, can never have such a broad effect as such publications, in which companies are listed.* – an ethical investor).

Additionally, the Austrian government had a significant influence in promoting ethical investment by presenting stimulating information and by passing laws that support ethical investment (for example, *Education and the societal environment account for a lot.* – an expert). Moreover, they argued that the cultural environment in which a company operates was of vast importance for an ethical investment decision. Conventional investors, in particular, emphasised that ethical investors had to think about the cultural conditions in non-western countries. As the values on which these cultures are based differ in some ways from values in western societies, domestic but not western ethics should be applied to ethical investment (for example, *If we'd take a western company, for example, which is active in the third world, and where child labour is part of daily life, we all probably would think, it is unethical. But, if we'd think of the fact that a typical household there consists of seven children, because otherwise they cannot survive, we would withdraw their basic survival needs if we'd say child labour should be forbidden. That means, applying our higher ethical standards there is the wrong direction.* – a convential investor). Thus, subjective norms also bolster ethical investment.

The third factor in the theory of planned behaviour[28] is perceived behavioural control. The experts' and ethical and conventional investors' statements on perceived behavioural control concerned, firstly, the limited selection of ethical investments available in the Austrian market, making it difficult to invest ethically (Table 4). Secondly, trust in the accuracy of the companies' upright intentions was of great importance to them. They did not want ethical investment to be only a marketing label, and had a difficult time searching for relevant information on companies to distinguish between 'labelled' and 'honest' ethical investments (for example, *So far it is nothing more than a label.* – a conventional investor). Therefore, conventional investors in particular desired an ethical entity with high ethical principles to rate and select those companies that perform ethically and serve as potential ethical investments. They had various ideas as to who could represent these entities; some supported a national institution of control, others preferred independent authorities, such as the Catholic Church. Additionally, the idea of seals of approval and indexes to more easily control ethical investment was discussed (for example, *That would mean, that there needs to be an independent body, or a general codex or a seal of approval* – a convential investor).

Conventional investors named only financial benefit as a motivation for their conventional investments (Table 4); although some conventional investors mentioned that they viewed investments as a kind of game and that they were motivated by playing on the stock market in order to increase profits (for example, *Actually, it is all about money, it is not so much about funding a certain category, but it is about raising capital.* –

a conventional investor). Experts and ethical investors agreed that the financial performance of investment was important, but they mentioned additional motivational factors. Several saw themselves as promoters of important new company concepts, which were based on, for example, sustainable technologies or employee-friendly leadership (for example, *It is just the joy of promoting something.* – an ethical investor). A few ethical investors did not necessarily expect financial advantages from their investments and sometimes perceived their investments as a kind of donation. Other ethical investors were interested in financial rewards, but they avoided becoming involved with deceptive business acts. They tried to maintain a clear conscience and avoid doing harm (for example, *The most popular argument is that if I can get the same return as with any other investment, then I additionally have a clear conscience at the same time.* – an expert). Others simply viewed ethical investment as a sense making choice. And, usually the ethical investors' motivations were based on environmental protection. In general, conventional investors were motivated by financial return, whereas ethical investors were additionally motivated by the satisfaction of promoting an important issue, maintaining a clear conscience or a mixture of these motives.

DISCUSSION AND LIMITATIONS

The current study investigates what experts and investors think about ethical investment in an early-stage market in Austria. Using interviews and focus groups, data on their beliefs were collected. The results showed that experts and investors defined ethical investment through negative and positive ethical criteria. This supports the definition of Lewis *et al*,[2] that ethical investment means the exclusion of companies based on negative ethical criteria and the inclusion based on positive ethical criteria. Active engagement was unimportant for the Austrian participants and they demanded ethical investments that applied positive and negative ethical criteria. Additionally, the supply of ethical funds in Austria did not meet the ethical investors' requirements, as investors are already on a developing stage, while the market itself is still in an early-stage. Thus, supply on the Austrian asset market is still in transition from an early to a developing stage. Data showed that the financial performance of investments is essential to conventional as well as ethical investors. Yet, although conventional investors were only motivated by financial reward, ethical investors had other motivations, such as sustainability and environmental protection.

The findings also revealed that participants did not believe in a stereotype for ethical investors based on socio-demographics, which contradicts the findings of some earlier studies[14,30] but is in line with others.[11] Previous studies established that ethical investors are between 30 and 50 years old, which is also supported by the statements of participants in the present survey. Participants also thought that ethical investors held important personality characteristics: they were critical, interested and socially active.

This study applies the theory of planned behaviour[28] to explain ethical investment behaviour. Attitudes towards investing ethically were positive and environmentally friendly as well as philanthropic. Ethical investors led a certain lifestyle, which has previously been suggested by other studies.[3,14,25,29] Subjective norms had an essential impact on ethical investors' decisions. Finally, perceived behavioural control was intensely discussed, indicating its importance. Additionally, the results showed differences between ethical and conventional investors' motivations. Although conventional investors were mainly motivated by financial rewards, ethical investors stated motivators such as promotion of companies, a clear conscience or following their logic. The finding that ethical investors thought that they could make a change and promote projects that were important to them corresponds with earlier studies.[18,19,37]

The broad purpose and the qualitative method of the present study bring about some constraints of the results. The findings reflect only the participants' opinions and are not objective or representative; for example, the discussants of the focus groups of ethical investors stemmed mainly from a few organisations, ethical investment clubs and religious associations. Our study also contained four participants (ethical investors) who were over 60 years old, which is not representative of ethical investors in other studies.[2]

IMPLICATIONS AND RECOMMENDATIONS

Nevertheless, although the study holds some limitations, guidelines for marketing of ethical investment funds can be drawn from it. First of all, marketers of ethical funds should closely monitor the market to be able to meet ethical investors' demands, because it seems that at least in Austria offered funds only partially meet investors' requirements. At the time of data collection, we have characterised Austria as a market at an early stage, which is characterised by investment funds that mainly are defined by exclusion criteria and low choice. We discovered that investors are aware of inclusion criteria as well and conclude that their requirements are not yet captured in the current investment funds-offer. The study also reveals that a demographic prototype of ethical investors does not exist; potential investors cannot be segmented by demographics, but by their general attitudes of environmentally friendliness and philanthropy, that is, their lifestyle in general. Their investment behaviour is motivated by financial rewards similar to conventional investors, but they are also driven by feelings to have a clear conscience and not be harmful to the environment or human beings. They also see their investment as a promotion of companies that bring forth new ideas that need support, such as alternative energy or fair trade. The current investigation also shows that subjective norms play a key role when deciding for ethical investments. Investors wish for an authority to inform them reliably about the ethics of investments. It is a fund marketers' task to find such authorities and assure them of the ethics of their fund; thus, authorities could be used for advertising. Although these are some guidelines, more research is needed to support marketing of ethical funds with more specific data.

This study encourages follow-up surveys to deepen the knowledge of ethical investment behaviour in early-stage markets. Future research should concentrate on attitudes towards investing ethically as well as subjective norms, such as ethical socialisation, society, cross-cultural aspects and also on a perceived duty and trust, which appear to be key elements in ethical investment. Overall, the current study serves as a theoretical foundation for the initiation of the investigation of ethical investment from a psychological perspective, and provides a starting point for future investigation to explain ethical investor behaviour and asset market changes. Since the current study is exploratory, future research can provide more evidence by using a different methodological design, such as survey or experimental studies. This helps not only to get a broader and representative overview of individuals' ethical investment decisions, it also adds to the development of a more rigorous conceptualisation.

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