

Control strategies for impactful exits in impact private equity firms

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Abstract

Traditional private equity firms aim to maximise their financial returns when exiting an investment. In contrast, a major consideration for impact private equity firms is to ensure an impactful exit from their investments – increasing the chance of impact continuity in portfolio companies post exit. However, impactful exits may not be realised due to ownership-, management-, and operations-related threats. Drawing on data from 45 impact private equity firms, we identify the control strategies that impact investors use throughout the investment lifecycle to manage impactful exits from investment. We also highlight how control-related issues differ between traditional and impact private equity firms.

KEYWORDS

impact investing, impactful exit strategy, management controls, private equity, Sustainable Development Goals

JEL CLASSIFICATION

D21, G11, G23, G41, L21, M14

1 | INTRODUCTION

Incofin considers sustainability of our impact objectives not only at the start of the investment, but also during the exit. We want to ensure that all exits balances [sic] the financial expectations of our investors and investees, but will sustain the impact achievements post exit.

(Incofin Investment Management, 2020, p. 10)

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This paper focuses on control strategies for impactful exits in impact private equity firms. Specifically, it addresses the following research questions: What control strategies do impact private equity firms adopt to manage impactful exits from their portfolio companies? How do these control strategies help impact private equity firms mitigate the threats to impactful exits?

Unlike traditional investing, which focuses on maximising financial returns, impact investing focuses on creating both financial returns and social/environmental impact (Hockerts et al., 2022; Islam & Rahman, 2023). Impact investing refers to investing in companies, funds and/or projects with the intention to generate measurable and positive social and/or environmental impact alongside generating financial returns (Islam, 2022a). According to the latest industry report, the size of the global impact investing market is estimated at \$US1.164 trillion (Hand et al., 2022). As a major focus of impact investing is to proactively address pressing social/environmental problems (e.g., extreme poverty, homelessness, climate change) (Islam & Habib, 2022), it is considered a promising vehicle to contribute to the United Nations (UN) Sustainable Development Goals (SDGs) by addressing an estimated \$US4.2 trillion annual SDG investment gap (OECD, 2020; United Nations, 2020). The impact investing market has attracted both individual and institutional investors, including private investors, development finance institutions, pension funds, religious institutions, fund managers and private foundations (International Finance Corporation, 2019; Islam & Scott, 2022). As different types of impact investors operate in the impact investing market, their approaches to impact measurement also differ (for a review, see Islam, 2022a).¹

While the accounting literature has a long tradition of studying controls in different settings (for a review, see Chenhall, 2003), research on controls in private equity firms is in an early stage of development. There are a few studies in this area, and they have, to date, investigated only control issues in the traditional private equity context (Bedford & Ditillo, 2022; Bruining et al., 2004; Christner & Strömsten, 2015; Nama & Lowe, 2014). This limits our understanding of control-related matters in impact private equity, which is a critical area given the need for businesses to make a positive impact on the environment and society.

Indeed, we know little about how management controls are deployed during the impact investing process/lifecycle. It is important to study this, as a key aim of impact investing (i.e., impact private equity firms in this paper) is to hold and grow these portfolio companies for a period of time to achieve a desired social and/or environmental impact and then sell them for a profit. However, unlike the traditional private equity firms² that aim to maximise their financial returns upon exit, a major consideration for impact private equity firms³ is impactful exits – that is, increasing the chance of impact continuity in portfolio companies post exit. For this reason, this paper examines the control strategies that impact private equity firms deploy in investee companies in order to uncover how an impactful exit is constructed.

Given limited theory and evidence on control strategies for impactful exits in impact private equity, we have adopted an inductive research approach (Gioia et al., 2013; Strauss & Corbin, 1997). Drawing on qualitative archival data from 45 impact private equity firms, we

¹In his review of the impact investing literature, Islam (2022a) identifies three broader approaches to impact measurement in the impact investing market. The first approach is a case-by-case approach where impact investors select both output and outcome metrics in a specific investment context. The second approach is a system-building approach, where impact investors adopt a more systematic and standard measurement system (e.g., Impact Reporting and Investment Standards (IRIS+)) to measure and compare impact among portfolio companies. The third approach is an intermediate one (i.e., a mix of the first and second approaches discussed above).

²Throughout the paper, we have used 'traditional private equity firms' and 'traditional investors' interchangeably.

³Throughout the paper, we have used 'impact private equity firms' and 'impact investors' interchangeably.

identify the control strategies⁴ that impact investors employ to manage impactful exits, and show how these control strategies help mitigate different threats to impactful exits.

Our findings show that, to manage impactful exits, impact investors adopt a number of dedicated control strategies throughout the investment lifecycle, including pre-investment, at the time of investment, during investment period, at the time of exit, and even after exit. Furthermore, we show that a more comprehensive set of control strategies is warranted in impact private equity compared to traditional private equity as the former has a relatively higher level of control complexity than the latter. Finally, we find that impact private equity firms adopt controls relatively loosely compared to traditional private equity firms that use tighter controls.

This paper makes several contributions. The first contribution is to develop a process model of the different control strategies deployed throughout the investment lifecycle to facilitate an impactful exit. As a key aim of impact investing is to grow the portfolio companies to achieve the desired social and/or environmental impact, it is important to understand how this can be accomplished.

Our second contribution is to identify how control strategies mitigate ownership, management and operational threats to impactful exit in impact private equity. By offering insights into impact-oriented control issues, our findings contribute to the existing management control literature in private equity that mainly provides insights into profit-oriented control issues (Bedford & Ditillo, 2022; Bruining et al., 2004; Christner & Strömsten, 2015; Nama & Lowe, 2014). Furthermore, by showing how different control strategies are adopted at different stages of an investment lifecycle to enable an impactful exit, we also respond to the call for adopting a life-cycle perspective to investigate issues in both management control (e.g., Akroyd & Kober, 2020; Granlund & Taipaleenmäki, 2005) and impact investing (Islam, 2022a; Islam & Habib, 2024).

Third, our study also contributes to the management control literature by offering insights into the concept of control tightness (Cäker & Siverbo, 2011; Groot & Merchant, 2000) in impact private equity versus traditional private equity. We highlight how impact private equity firms use controls relatively loosely compared to traditional private equity firms that use controls in a tighter fashion.

Finally, we contribute to the private equity exit literature (Cumming & Johan, 2010; Espenlaub et al., 2015) by highlighting how the conventional concept of exit in private equity differs in the impact private equity context. We show how the notion of impactful exits is operationalised in impact private equity firms, and how impact investors adopt a more comprehensive set of controls to facilitate such exits.

The remainder of the paper is organised as follows. The next section positions the study in the relevant literature, followed by a description of our research approach in Section 3. We then present our findings in Section 4 and discuss these findings in Section 5. The final section concludes the paper and provides some future research directions.

2 | THEORETICAL POSITIONING

This section first positions the study within the private equity literature. We also discuss the notion of and threats to impactful exits in impact private equity and the importance of using

⁴While several prior studies have used the term control strategies, they have rarely defined it. We define a control strategy as a higher-order construct that draws on several individual control practices/mechanisms and thus offers a broader perspective of specific control problems to be addressed and how they can be addressed. This definition is consistent with prior research. For example, Chapman et al. (2021) identify 'gamification as a control strategy' that draws on several individual control practices (e.g., league tables, performance classifications) that seduce users into being productive in a fun and playful way. In the same vein, Alvehus and Spicer (2012) identify 'financialization as a control strategy' in professional service firms – that is, the practice of disciplining employees' working lives through financialised technologies that give their working lives monetary value.

controls to mitigate these threats. We then draw on the relevant accounting and finance literature, especially the management accounting literature on management controls, to theorise controls in private equity firms.

2.1 | Traditional and impact private equity

In traditional private equity, investors buy an ownership stake in unlisted private companies with the aim of maximising their financial returns. The literature on traditional private equity is vast and has addressed several major issues such as the financial performance of private equity funds and the factors affecting the performance, contractual provisions between private equity companies and their portfolio companies, selection and monitoring activities of private equity companies and the compensation of private equity managers (e.g., Braun et al., 2020; Metrick & Yasuda, 2011; Wynant et al., 2023). However, this literature has paid relatively little attention to exit-related issues. That said, a few studies that focus on exit issues in traditional private equity offer several insights into the timing and routes of exit. Research shows that traditional investors decide on exit timing based on a profit maximisation principle. For example, in order to avoid high opportunity costs and to reap greater financial returns, traditional investors exit investments sooner (later) in times of strong (weak) market conditions and in times of increased (decreased) capital available for investment (Cumming & Johan, 2010). In the same vein, traditional investors choose their exit routes (e.g., initial public offerings (IPOs) versus trade sales) depending on which route offers them the highest financial returns. They choose IPOs as their preferred exit route to take advantage of strong market conditions (e.g., Giot & Schwiendbacher, 2007). However, they choose trade sales (i.e., selling to another investor or an acquiring company) as their preferred exit route when such a route offers them a higher exit value (e.g., Espenlaub et al., 2015). While the existing private equity literature offers insights into exit issues in traditional private equity, it is largely silent on exit issues in impact private equity. Given the need for businesses to make a positive contribution to UN SDGs, impactful exits are a critical issue. The current study aims to contribute to the literature on private equity exit by examining exit issues in impact private equity.

Impact private equity refers to private equity in impact investing, where investors purchase an ownership stake in unlisted private companies with the intention of generating both financial returns and social/environmental impact. The literature on impact investing is growing and has addressed several important issues such as impact investment decision-making, impact evaluation, behavioural issues in impact investing, and impact investing ecosystem (for a review, see Islam, 2022a). However, little attention has been paid to exit-related issues in impact private equity. The current study addresses this gap.

2.2 | Impactful exits in impact private equity and their importance

Unlike traditional private equity investors, impact private equity investors focus on generating both financial returns and social/environmental impact (Barber et al., 2021). Indeed, a major success criterion in impact investing is to achieve the desired impact performance (Islam, 2022a). As such, impact investors put greater effort into managing their investments' impact performance. For example, they establish appropriate impact metrics and use them to monitor the impact performance of their investee companies, thus assessing the achievement of impact (Islam, 2023; Lall, 2019).

While it is important that impact investors put greater efforts into creating social/environmental impact during the investment period, it is equally important that they pay

adequate attention to ensure that the impact is sustained post exit (International Finance Corporation, 2019). Thus, the notion of impactful exits can be understood as increasing the chance of impact continuity in investee companies post exit. Compromising impactful exits could be costly for the investee company, beneficiaries and society as a whole. For example, years of good work in investee companies by several *aligned* impact investors towards addressing pressing social or environmental problems could be quickly undone if a focal investee company is sold to a *non-aligned* buyer (i.e., whose investment objectives are not aligned with the mission of the focal investee company). This could result in a situation where the non-aligned buyer might decrease or even stop impact continuity in the investee company. At a broader level, thoughtless exits in impact private equity could prevent the broader impact investing movement from realising its full potential to contribute to the UN SDGs by failing to make a long-lasting impact.

Overall, in impact private equity, achieving impactful exits is considered just as important as impact created during the investment period. However, impact investors may not achieve impactful exits in portfolio companies due to several threats, which we discuss below.

2.3 | Threats to impactful exits in impact private equity

In impact private equity, there are three major threats to impactful exits. The first one is ownership-related, which arises when an investment is sold to new owners. Here, the threat is that after the focal investor's exit, the actions of the new owner may threaten the impact continuity in the investee company. For example, the new owner of an investee microfinance company may change the company's business model from a social orientation to a profit orientation, engage in reckless lending and introduce exorbitant interest rates at the expense of serving poor borrowers (Islam, 2020b), thus threatening impact continuity in the investee company.

The second threat to impactful exits is management-related, arising from the actions of the top management of the investee company. Specifically, following the exit of the focal investor, the actions of the top management of the investee company may threaten the impact continuity in the investee company. For example, the top management team of an investee social enterprise offering mobility and rehabilitation services to visually impaired people may overemphasise business growth and profitability (Islam, 2022b). As a result, they may divert the company's limited resources from mobility and rehabilitation services to develop more profitable but mission-incompatible services (e.g., hotel and holiday programmes), resulting in decreased quantity and quality of mobility and rehabilitation services delivered to visually impaired people (Islam, 2022b).

The third threat to impactful exits is operations-related, which can arise from the investee company's operations. Here, the threat is that after the exit of the focal investor, the investee company may fail to realise impactful business growth, despite the support of its new owners and top management team. For example, an investee social enterprise addressing homelessness may fail to develop a robust system, process, culture and business model to deliver its mission during the holding period of the focal investor (Tracey & Jarvis, 2007), thus may not realise impactful business growth to deliver its mission after the focal investor's exit.

All these threats could prevent impact investors from achieving an impactful exit from their portfolio companies, thus limiting the potential for their investments to have a long-lasting impact, which is critical to contributing to the UN SDGs. Hence, it is important to examine the management control strategies that impact investors can employ to mitigate different threats to impactful exits.

2.4 | Theorising controls in private equity

Broadly, management controls can be defined as any activities or processes that organisations use to direct and motivate organisational members to attain organisational goals in the desired way (Cardinal et al., 2017; Merchant & Otley, 2007). Depending on the complexity of its control environment, the level of comprehensiveness of control mechanisms used may vary in an organisation. A higher level of complexity in its control environment necessitates an organisation to adopt more comprehensive controls (Chenhall, 2003; Chenhall & Moers, 2015). In traditional private equity, the goal is to maximise financial returns upon exit (e.g., Bedford & Ditillo, 2022; Cumming & MacIntosh, 2003; Nama & Lowe, 2014). Due to its sole focus on financial goals, the control environment in traditional private equity is relatively less complex. Because of this, the control strategies adopted focus on financial return-oriented controls. Examples of such controls include the use of the internal rate of return (IRR), return on investment (ROI), market share and similar tools to evaluate potential investment projects (e.g., Metrick & Yasuda, 2011). In contrast, impact private equity focuses on both financial and social/environmental impact goals (e.g., Barber et al., 2021; Islam, 2022a). As impact private equity firms deal with multiple and, at times, competing goals, their control environment is relatively more complex. As such, impact investors are likely to consider adopting a more comprehensive set of control strategies, employing impact-oriented controls in addition to financial return-oriented controls to evaluate potential investment projects.

Also, due to their less complex control environment, traditional private equity firms do not appear to employ any major *new* control strategies focused on the investment exit lifecycle stage. It has been shown that financial return-oriented controls (e.g., financial analysis) that traditional investors adopt in the pre-investment stage continue to be employed at the time of exit (e.g., Christner & Strömsten, 2015; Nama & Lowe, 2014). To put it simply, based on investors' analysis, when 'the projected return on equity starts to decline', traditional investors believe that their 'job is finished' and then sell their investments to maximise financial returns (Nama & Lowe, 2014, p. 295). In contrast, a major focus in the impact private equity context is creating social impact by addressing pressing social problems. However, as social issues are inherently fluid (Ebrahim & Rangan, 2014; Islam, 2020a), addressing them effectively to create social impact is notoriously difficult and may need different strategies at different points in time. Due to a more complex control environment in impact private equity, control strategies adopted in the pre-investment stage may no longer be sufficient to mitigate emerging threats during the exit stage. Hence, impact investors are likely to employ some *new* impact-oriented control strategies at the exit stage.

Another dimension of organisational controls is control tightness, which generally refers to the degree of completeness and specificity with which control mechanisms are used in a specific context (Merchant & van der Stede, 2012). Control mechanisms are said to be more (less) tight when they are used in a more (less) complete and specific manner (Groot & Merchant, 2000; Merchant & van der Stede, 2012). Existing research shows that controls are used more tightly in traditional private equity. For example, in traditional private equity, investment deals are usually short-term, where exit routes and timings are almost pre-defined (e.g., Farag et al., 2004; Metrick & Yasuda, 2011). As such, contractual provisions regarding exit routes and timings are well-defined in traditional private equity (e.g., Farag et al., 2004; Metrick & Yasuda, 2011). Thus, from a control perspective, investment contracts in traditional private equity are considered 'more complete and specific' contracts (see Anderson et al., 2014). In contrast, in impact private equity, adopting tighter controls is likely to jeopardise the investors' objective to sustain impact continuity beyond exit. For example, adopting an investment contract that does not provide sufficient time and flexibility to an investee company may not allow it to establish sound operational practices necessary to generate the desired level of impact post

exit (Roundy et al., 2017). Hence, to adequately support their investment objectives, impact private equity firms are likely to adopt more flexible contractual provisions – that is, adopting controls in a relatively loose fashion.

3 | RESEARCH APPROACH

3.1 | Data collection

To examine the control strategies employed by impact private equity firms to manage impactful exits, we drew on qualitative archival data. Our data included impact management reports of major impact investing firms, which were obtained from the Operating Principles for Impact Management Signatory Platform.⁵ This platform was created in 2019 by International Finance Corporation along with several impact investors, intermediaries and industry networks. Impact investing firms that are signatories to this platform deposit a report describing their efforts and activities to manage the impact of their investments.

Initially, we obtained 82 impact management reports. On a general level, each report included information about the focal impact investing firm's impact objectives and strategies, due diligence activities, impact evaluation and monitoring processes, and exit-related matters. After thoroughly reviewing each downloaded report, we excluded 37 reports that (i) contained very little information about the focal impact investing firm's exit-related issues, or (ii) belonged to impact investing firms that mainly provided private debt⁶ (rather than private equity). Thus, our final data set included 45 impact management reports (approximately 523 pages) representing 45 impact investing firms (see Table 1 for a list of these firms).⁷ Most of these are based in the United States and Europe, while a few are in Asia, Africa and the Middle East. We also visited the official websites of these firms to better understand their vision, mission and product offerings.

3.2 | Data analysis

Due to the lack of prior theory and evidence on control strategies for impactful exits in impact private equity, we adopted an inductive data analysis approach with no a priori hypotheses (Gioia et al., 2013; Miles et al., 2014; Strauss & Corbin, 1997). We used NVivo 12 Pro, a qualitative data analysis software, to code and organise the data. NVivo software enables researchers to code raw texts in a structured fashion and to search and retrieve coded text chunks in a transparent way, thus ensuring a highly reliable data analysis process. One researcher conducted the preliminary analysis, while a second researcher later reviewed it. Both researchers discussed and reconciled disagreements.

Consistent with our inductive data analysis approach, we first read and re-read the collected documents with a focus on obtaining a contextual understanding of impact investments made by the studied impact investing firms. We then employed a three-stage process to inductively identify control strategies that impact investors use to manage impactful exits (see Figure 1).

⁵See <https://www.impactprinciples.org>.

⁶We have excluded the case of private debt because we find that private debts provided by impact investing firms are amortised debt capital, which is 'self-liquidating' at the end of the loan period and does not involve a separate exit decision.

⁷The firms examined in this study focus primarily on impact investment projects, although they have varying degrees of traditional investment projects. The current study focuses on understanding exit-related issues from their impact investment projects in the private equity category.

TABLE 1 List of impact investing firms.

No.	Name	Headquarters
1	Actis	UK
2	Adenia Partners	Mauritius
3	Albright Capital Management	USA
4	AXA Investment Managers	France
5	Belgian Investment Company for Developing Countries	Belgium
6	Big Society Capital	UK
7	CAF (Corporacion Andina de Fomento)	Multilateral
8	CDC Group (now British International Investment)	UK
9	Credit Suisse	Switzerland
10	Denham International Power Fund	USA
11	Developing World Markets	USA
12	Development Partners International	UK
13	DWS Sustainable Investments	Germany
14	European Bank for Reconstruction and Development	Multilateral
15	Flat World Partners	USA
16	FMO – Dutch Development Bank	Netherlands
17	FullCycle Climate Partners	USA
18	Investisseurs & Partenaires (I&P)	France
19	Incofin Investment Management	Belgium
20	INOKS Capital	Switzerland
21	Investing for Development	Luxembourg
22	Islamic Corporation for the Development of the Private Sector	Saudi Arabia
23	Japan International Cooperation Agency	Japan
24	LeapFrog Investments	Mauritius
25	Lightrock (LGT Lightstone)	UK
26	Norfund	Norway
27	OeEB (Oesterreichische Entwicklungsbank)	Austria
28	Prudential Financial	USA
29	Quona Capital	USA
30	Responsability Investments	Switzerland
31	RockCreek	USA
32	Sarona Asset Management	Canada
33	SEAF	USA
34	STOA Infra & Energy	France
35	Swedfund	Sweden
36	The Investment Fund for Developing Countries	Denmark
37	The Osiris Group	Hong Kong
38	The Private Infrastructure Development Group	UK
39	The Rise Fund	USA
40	Trill Impact	Sweden

TABLE 1 (Continued)

No.	Name	Headquarters
41	Triple Jump	Netherlands
42	UBS Group	Switzerland
43	UOB Venture Management	Singapore
44	Water.org	USA
45	Zurich Insurance Group	Switzerland

In the first stage, we identified the initial concepts (i.e., first-order concepts) in the data, which is akin to open coding (Strauss & Corbin, 1997). The identification of the initial concepts involved three specific processes. First, for each report, we coded relevant paragraphs containing exit-related issues of the focal impact investing firm. Second, for each paragraph, we coded for the main exit-related concept discussed in the paragraph. Third, we then accumulated the non-duplicated initial concepts in the whole data set (see Figure 1 for these initial concepts).

In the second stage of data analysis, we grouped initial concepts into a small number of representative themes (i.e., second-order themes), which is akin to axial coding (Strauss & Corbin, 1997). This involved drawing connections between different initial concepts (identified above) and reducing them to a common theme.

In the third stage, we collapsed the second-order themes into overarching control strategies. This process was iterative rather than linear (Ahrens, 2022; Gioia et al., 2013) and continued until we had a good grasp of control strategies adopted by impact investors to manage impactful exits. As is typical in inductive research (Strauss & Corbin, 1997), throughout our data analysis process, we moved back and forth between the data analysis and relevant literature (e.g., Barber et al., 2021; Bedford & Ditillo, 2022; Islam, 2022a; Nama & Lowe, 2014) to help make sense of emerging first-order concepts, second-order themes and overarching control strategies.

Next, we linked the control strategies (identified above) to specific investment stages. For example, we noticed that the control strategy ‘searching for impactful business models’ is employed to evaluate potential investment projects before making an investment. Hence, this control strategy was linked to the pre-investment stage. This process also continued for other control strategies, which linked different control strategies to different investment stages: pre-investment, at the time of investment, during the investment period, at the time of exit and after exit (see Figure 1).

4 | FINDINGS AND ANALYSIS

This section discusses the control strategies we found impact investors employ during different stages of an investment lifecycle to mitigate the potential threats to impactful exits.

4.1 | Control strategies at the pre-investment stage

Unlike traditional private equity investors whose sole focus is on evaluating potential investment projects to secure the highest price upon exiting (Espanlaub et al., 2015), a major consideration for impact private equity investors is to evaluate potential investment projects from an impact creation and sustainment perspective. Due to a relatively more complex control



FIGURE 1 Data structure of control strategies for impactful exits.

environment, impact private equity firms adopt several impact-oriented controls (in addition to financial controls) in the pre-investment stage, which we present below.

4.1.1 | Searching for impactful business models

We found that impact investors' concern for impactful exits often starts well prior to investing in a project. This can be seen when impact investors examine potential investment projects and discuss different exit scenarios even before investment takes place. Thus, impact investors pay particular attention to the long-term sustainability of impact outcomes related to potential investment projects. For example, at UOB Venture Management:

The act of divestment is not a mere financial exercise, rather it is a diligent process of understanding both social and financial aspects to evaluating the suitability. Consideration of exit scenarios is discussed prior to investing.

In the pre-investment phase, a major control strategy that these investors use to manage an impactful exit is searching for investments with impactful business models. That is, while screening and evaluating potential investment projects, investors look for investee companies with impact-embedded business models. Investee companies are considered to have impact-embedded business models when positive impact is achieved due to the nature of their core business (e.g., an investee company providing renewable energy generation and distribution services in underserved communities).

As a control strategy, searching for impactful business models primarily addresses ownership-related and management-related threats to impactful exits. For investee companies with impact-embedded business models, impact creation is inextricably linked to their business growth and/or financial success. Indeed, these companies often simultaneously experience business growth and financial success along with the delivery of impact. As a result, after the exit of the focal investor, even though the investee companies' top management team and the new investor may care more about business growth, impact creation is likely to be a natural consequence of business growth. For this reason, investing in such companies is considered the best way to ensure the continuity of impact post exit. Accordingly, while screening potential investment projects, impact investors focus their search for companies with impact-embedded business models. For example, according to Credit Suisse and FullCycle Climate Partners:

In our view, the surest way to ensure the continuation of impact beyond exit is to ensure that impact is a core part of the business model of the investee company, and so if the company delivers impact, then it will be delivering financial returns, and vice versa. The investment strategy of the Credit Suisse/UOB Asia Impact Investment Fund, for example, is to only invest in companies with inherently impactful business models, and therefore growth, profitability and delivery of impact move in tandem.

(Credit Suisse)

Investments will only be made if positive climate impact is achieved as a result of the core operations of the business. ... By investing in businesses which are inherently impactful due to the nature of their core business, FullCycle reduces the likelihood that a sale will threaten the longevity of that impact.

(FullCycle Climate Partners)

4.1.2 | Potential future investor alignment

A second control strategy that impact investors adopt at the pre-investment stage is understanding future investor alignment with the projects they are evaluating. Here, the focal investors first identify potential buyers (i.e., future investors) and their impact requirements in advance, then incorporate them into investment project evaluations. For example, we found that one impact investor, Adenia Partners, identifies potential bidders (buyers) as early as the pre-investment phase. These potential bidders (buyers) include international investors and investment funds whose key investment criteria include proper governance and sound operations in investee companies regarding product quality, health and safety, waste management and community management. Adenia incorporates the requirements of future investors into its investment project evaluation. This ensures that when Adenia exits the investment, they can pass on the investment project to the 'right' buyer whom they know also cares about impact. According to Adenia Partners:

The end goal of Adenia is to create long-term sustainable value. Adenia identifies potential bidders as early as the pre-investment phase. Our universe of bidders is usually composed of international strategic players and investment funds who also have ESG requirements. The value creation plan that we develop in each investee integrates elements that we have identified as key for these prospective bidders when taking over a controlling stake in the companies. These elements include proper governance and sound operations regarding HR, Health and Safety, Waste Management, Community Management or Product Quality.

(Adenia Partners)

This strategy is also echoed by other impact investors, such as Development Partners International, who evaluate potential investment projects by considering issues of interest to a potential buyer:

For each prospective investment, an exit assessment is and will continue to be carried out to assess overall ESG and Impact performance as well as to identify any issues of interest to a potential acquirer.

(Development Partners International)

Overall, by selecting investment projects that match the impact requirements of potential future investors, the focal investors can increase the chance of finding future investors who are more aligned with their values, thus reducing the ownership-related threat to impactful exits.

4.2 | Control strategies at the time of investment

Once an investment project passes the initial screening and due diligence stage, it moves to the deal-structuring stage. Considering that there is a higher level of complexity within the control environment, impact investors generally use controls in a relatively loose fashion (e.g., more flexibility). We discuss the control strategies used at the time of investment below.

4.2.1 | Impactful deal structure

The major control strategy that impact investors apply at the time of investment is to structure investment deals to support impactful exits in the future. Here, investors incorporate impact-oriented covenants into investment agreements to ensure impact continuity after exit. These impact-oriented covenants could include several things, such as requirements to ensure the continuity of good governance and impact risk management practices after the exit of the focal investor. For example, the European Bank for Reconstruction and Development ‘embeds certain covenants’ in investment agreements ‘to preserve the sustainability of impact beyond the investment period’, including ‘corporate governance and ESG risk management practices that may persist’ after the exit. This is also echoed by other impact investors, such as Prudential Financial, who emphasise creating impactful deal structures by including impact-oriented covenants in investment documents as needed:

[We] structure the investment to support sustainable growth, ensure alignment with co-investors, and include legal protections in LPAs [Limited Partnership Agreements], debt covenants and side letters as appropriate.

(Prudential Financial)

The main aim of these practices appears to be focused on reducing the management-related threat to impactful exits – the threat that the top management of investee companies may not prioritise good governance and sound impact risk management practices, which are vital to impact continuity post exit.

As part of the impactful deal structure control strategy, impact investors also choose long-term-oriented deals. Here, investors consider that investment deals with a long-term horizon, as opposed to a short-term horizon, will provide greater flexibility to investee companies to develop a solid base, without necessarily worrying about generating quick financial returns for investors. Indeed, many impact investors intentionally structure their investment deals without a defined exit timeframe to allow investee companies a significant time period to support capacity building and to incorporate good practices into their policies and processes. This helps investee companies better prepare and realise desired impactful change while the focal investor is on board, which increases the chances of sustaining sound operational practices necessary to generate the desired impact in investee companies beyond the exit of the focal investor. In this way, investment deals with a long time horizon help reduce the operations-related threats to impactful exits. This can be seen in Norfund and Swedfund:

Norfund operates without a defined or hard exit timeframe for direct equity investments, as this allows for flexibility in the timing of exit. The life of an investment is determined primarily by how long Norfund's investment is considered additional.
(Norfund)

Swedfund is a long-term investor ... This provides a significant time period to support capacity building and influencing relevant aspects that are believed to be essential in order to generate desired impact in investees. An exit will not be undertaken unless the impact mission of the investee is considered intact in the business strategy combined with the relevant capacity to deliver it.
(Swedfund)

4.3 | Control strategies during investment period

Once impact private equity investors allocate capital to an investment project, they adopt controls to ensure that the investment project develops adequate capability to facilitate its impact continuity beyond exit. Here, impact investors usually adopt a flexible and supportive approach to implement such controls. We discuss the control strategies used during the investment period below.

4.3.1 | Driving impactful exit readiness

The major control strategy that impact investors use during the investment period is driving impactful exit readiness. As part of driving impactful exit readiness, investors assist investee companies in developing and strengthening their governance systems, impact measurement and management systems, and risk management systems, among others. This ensures that investee companies have the necessary 'discipline' to create and maintain impact, increasing the chances that sound systems and processes to generate the desired impact will remain and further increase beyond the focal investor's exit. In other words, consciously driving impact-oriented exit readiness in investee companies reduces the operations-related threat to impactful exits. Furthermore, investee companies with sound systems and processes are perceived as lucrative investments by potential buyers who also care about impact creation

and continuity in the investee companies. In this way, as a control strategy, driving impactful exit readiness via establishing sound systems and processes in investee companies also reduces the ownership-related threat to impactful exits. This can be seen in The Osiris Group:

We believe assisting Portfolio Companies to build and enhance competitive advantages with high ESG standards makes sense from an investment perspective, reduces reputational risk and creates an easier to path to exit. ... Discipline is the heart of a great exit, and proactively finding exit avenues in low-income economies with relatively poor capital market infrastructure is always a challenge. However, while domestic IPOs might be nascent, trade sales by global operators in Japan, US and EU are quite active in the core five sectors ... The key for trade sale success starts and ends with Governance. In our markets, experience has taught us if sustained impact cannot be achieved, exit opportunities quickly become non-existent.

(The Osiris Group)

As part of driving impactful exit readiness in investee companies, impact investors also aim to ingrain impact practices within the culture of an investee company. Here, investors help investee companies subscribe to the idea that creating a positive impact is an everyday task (as opposed to a one-off task) and remains central (as opposed to peripheral) to business activities. To accomplish this objective, investors undertake several activities, such as organising appropriate training and awareness-raising sessions in investee companies and holding investees' management teams accountable for monitoring, reporting and achieving impact. Ingraining impact practices within the investee companies' culture, and thereby everyday operations, helps ensure the continuity of impact beyond the exit, thus reducing the operations-related threat to impactful exits. Furthermore, investee companies with embedded impact culture attract stronger buyers who also care about impact continuity, thus mitigating the ownership-related threat to impactful exits. This can be seen at Adenia Partners and Development Partners International who say that:

Throughout the holding period, an important goal is to ingrain ESG and Impact practices within the company's very culture, that is aimed to outlive Adenia's tenure as a shareholder. This is done by: [i] Organizing training and awareness raising sessions for investees' teams, [ii] Having investees develop formalized ESG Management Systems that include roles and responsibilities, policies and procedures, risk assessments or reporting systems, and [iii] Holding management teams accountable with reporting requirements against action plans, KPIs and ESG incidents.

(Adenia Partners)

DPI [Development Partners International] has exited companies where the imbedded impact and ESG work has not only continued but has become a part of the company culture. DPI has seen in its work over 13 years that in Africa, imbedded impact and ESG culture attract more and stronger buyers.

(Development Partners International)

4.4 | Control strategies at the time of exit

At the time of exit, traditional private equity investors usually employ the same (financial) controls that they adopted in the deal evaluation stage (Nama & Lowe, 2014). However, impact

private equity investors adopt new impact-oriented controls, demonstrating the higher level of complexity of the control environment in impact private equity. We discuss the control strategies employed at the time of exit below.

4.4.1 | Exit rationality assessment

At the time of exit, a major control strategy used by impact investors is exit rationality assessment. Here, the focal investors assess the rationality of exit and ‘exit merits’ in relation to impact continuity in the investee companies. Specifically, the focal investors want to ensure that the exit will not undermine the growth of the investee companies’ operations and that changes induced by the focal investors are anchored well in the investee companies’ various operational levels. For example, INOKS Capital explains:

To ensure that investees’ operations and related impact remain sustainable, INOKS Capital considers three aspects ... [i] The exit will not undermine the existence and growth of the investee’s activities. The investee shall have access to additional financing with improved financing terms to continue its journey. [ii] Changes induced by INOKS financing at various levels (operational, E&S impact, etc.) are anchored sustainably in the investee’s activities/processes. [iii] The [investee] company has become a vector of change in its industry/value chain thanks to internal development/work and external support.

(INOKS Capital)

Indeed, an exit rationality assessment helps the focal investors identify the current maturity level of the investee company’s operations and, if required, the mitigations needed to maintain and sustain sound operations to drive impact generation after the exit. Thus, as a control strategy, an exit rationality assessment focuses more on reducing the operations-related threat to impactful exits. This can be seen at Swedfund and Big Society Capital:

Swedfund’s investment process includes a pre-exit evaluation including effects on sustained impact and mitigations needed to maintain and sustain generation of impact [in investee companies].

(Swedfund)

At the point of exit, investment leads are required to prepare a decision paper which is submitted to the BSC [Big Society Capital] investment committee for approval. ... The investment committee discusses and determines required actions with regard to any issues arising related to the continued impact of the investment.

(Big Society Capital)

4.4.2 | New investor alignment

At the time of exit, another major control strategy that impact investors adopt is new investor alignment. As part of this control strategy, focal investors conduct buyer due diligence, evaluating what they want to see in potential buyers. This includes evaluating buyers’ ability to provide good stewardship of the assets and sustain the impact in investee companies, their prior experience and reputation in managing impact investments, their commitment to mission, and their local and regional knowledge and social performance, among others. This helps ensure that the investment projects are being handed over to the ‘right’ buyer who will support

the ongoing mission of the investee companies and maintain/strengthen the impact generation practices at the investee companies, thus reducing the ownership-related threats to impactful exits. This can be seen in Developing World Markets and Prudential Financial:

DWM's private equity team has undertaken over a dozen exits to date and has in each instance considered not only its own financial return from the sale, but also the strength of the buyer and their ability to provide good stewardship of the assets and sustain the impact for clients.

(Developing World Markets)

Acquirers should be selected based upon commitment to mission, access to resources and expertise and a time horizon supportive of growth and continued impact.

(Prudential Financial)

Furthermore, as part of the new investor alignment strategy, impact investors also raise buyers' awareness of impact achievements and gaps. Here, focal investors highlight to potential buyers the key impact achievements in investee companies and the potential gaps remaining. This can include a summary of material corrective actions and value creation initiatives implemented throughout the holding period in investee companies and an evaluation of investee companies' impact performance up to the exit point. This helps reduce the ownership-related threat to impactful exits by providing a clear platform to potential buyers to understand what impact has been achieved and what needs to be done to continue or accelerate impact in the investee company from the start of their investment. An example is Adenia Partners:

During the exit process, our team pays special attention to raise ESG and Impact awareness of the buyer. We highlight to potential bidders key achievements and potential remaining gaps on ESG and impact practices, usually based on pre-exit monitoring visits conducted by external consultants.

(Adenia Partners)

4.4.3 | Legally safeguarding investee mission

Another control strategy that impact investors use during exit is to legally safeguard an investee company's mission. Here, focal investors attempt to ensure that legal protections are in place to preserve the mission of investee companies against potential threats. This is done by incorporating dedicated clauses into the exit documentation so that new owners and/or the top management team of the investee companies have legal incentives to ensure impact continuity post exit. In this way, legal protection of the investee mission mitigates the ownership- and management-related threats to impactful exits. For example, at the time of exit, one impact investor, Adenia Partners attempts to integrate dedicated clauses in the exit documentation to ensure impact continuity in investee companies post exit.

Whenever possible, the deal team ensures continuity to the sound ESG and Impact practices under the new owner by integrating dedicated clauses in the exit documentation.

(Adenia Partners)

This is also echoed by other impact investors who consider safeguarding investee mission post exit via legal protection:

The Fund strives for a ‘responsible exit’ to safeguard the impact strategy beyond the lifetime of the Fund. This includes considerations of the timing of the exit, ... [and] possibilities to legally safeguard the investees' mission.

(Investing for Development)

Impact management issues are included in exit discussions with the selected purchaser(s) and can be included in legal documentation when possible.

(Investisseurs & Partenaires)

4.5 | Control strategies after exit

In traditional private equity, the use of controls in relation to an investment project ends upon exiting the focal project. In contrast, we find some evidence that impact private equity investors continue to use impact-oriented controls regarding a specific project after exit, highlighting the higher level of control complexity in impact private equity. This section discusses the control strategies used after exit.

4.5.1 | Impact beyond exit

Investors' concern for impactful exits does not end after exiting from an investment. We observed that following the exit, investors employ an ‘impact-beyond-exit’ strategy. One aspect of their impact-beyond-exit strategy concerns improving exit decisions in future investment projects. Here, impact investors revisit their past investment and exit decisions in a systematic way. This helps identify key lessons learned that could be useful to facilitate a more impactful exit from future investment projects by implementing appropriate actions to address any potential issues early. For example, one impact investor, UOB Venture Management has a firm-wide policy to revisit past investment and divestment decisions and uses the process as an opportunity to reaffirm or revise existing views on impact continuity, thus generating key insights into better mitigating different threats to impactful exits in future projects.

UOBVM's internal firm-wide approach is to revisit investment and divestment decisions and use the process as an opportunity to reaffirm or revise existing views. ... [It] help[s] the investment team identify critical areas for improvement and understand key steps to uncover any surprises early for future divestitures.

(UOB Venture Management)

Another aspect of the impact-beyond-exit strategy concerns the impact continuity in past investment projects. Here, impact investors undertake independent reviews of past exits, which provide them with an opportunity to monitor impact continuity in their exited investments. For example, one impact investor, Norfund, has the policy to collect investee outcomes and development impact data for 3 years after its exit, allowing the investor to continuously monitor the sustainability of exited investments.

To improve on its post-exit tracking, Norfund established a routine in 2019 whereby investee outcomes and development impact data are collected (to the

extent possible) for 3 years after Norfund exit. This standardization allows for continuous updates of a post-exit database and investigation of the sustainability of exited investments.

(Norfund)

5 | DISCUSSION

This section discusses our findings and highlights the key insights that this study offers to the private equity literature (see Section 5.1) and the management control literature (see Section 5.2).

5.1 | A process model of control strategies for impactful exits in impact private equity

The findings of our study can be understood through our process model, which shows how impact investors employ control strategies throughout the investment lifecycle to manage impactful exits (see Figure 2).

Impact investors' concern for impactful exits begins well before making an investment. Hence, they employ relevant control strategies starting from the pre-investment stage. Here, control strategies aim to mitigate threats to impactful exits for the potential investment projects currently being evaluated. To this end, a major control strategy is to search for impactful business models – investee companies with impact-embedded business models. In such a company, the delivery of impact is inextricably linked to business growth and financial success. As a result, selecting impactful business models mitigates ownership- and management-related threats to impactful exits. In the pre-investment stage, another control strategy used is potential future investor alignment. Here, focal investors identify potential future investors' impact requirements in advance and then incorporate them into the evaluation of investment projects.

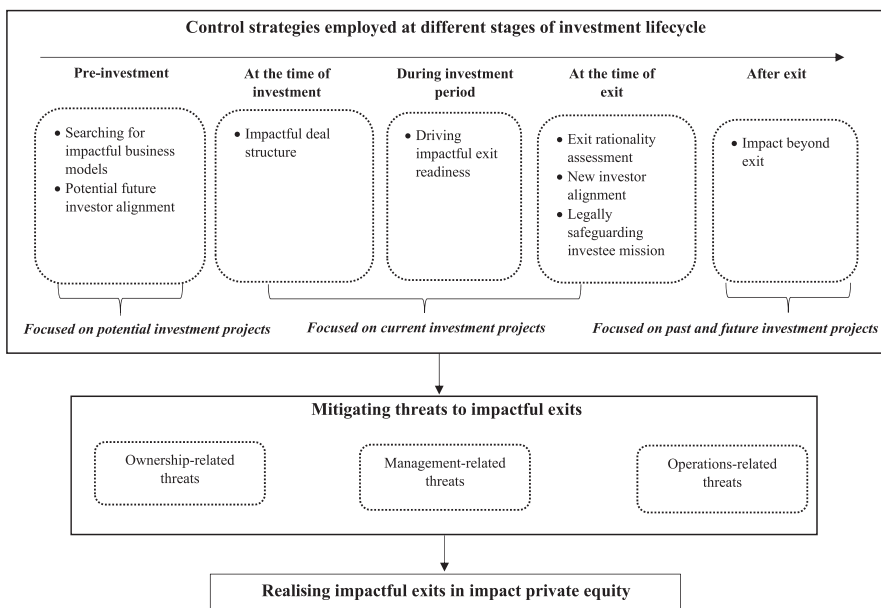


FIGURE 2 A process model of control strategies for impactful exits in impact private equity.

This increases the chances of finding more suitable buyers later at the time of exit, thus reducing the ownership-related threats to impactful exits.

Once an investment project passes the initial screening and due diligence stage, it moves to the deal negotiation/structuring stage. Here, a major control strategy is impactful deal structure – structuring investment deals that support impactful exits. This involves incorporating impact-oriented covenants (e.g., the requirements to continue good governance practices post exit) into investment agreements to ensure that the top management team of the investee company remains focused on impact continuity after exit, thus reducing the management-related threat to impactful exits. As a control strategy, an impactful deal structure also involves structuring investment deals with a long time horizon. This ensures that the investee company has a long period of time to establish sound operational practices necessary to realise the desired impactful change. This, in turn, increases the chance that sound operational practices will be sustained in the investee company beyond the exit of the focal investor, thus mitigating the operations-related threat to impactful exits.

Once investors allocate capital to an investment project, their main control strategy is driving impactful exit readiness of the investment project. This strategy runs throughout the entire holding period. Here, the focal investors assist the investee company in developing appropriate systems and processes, and cultural capabilities. This helps reduce the operations-related threats to impactful exits by increasing the chances of continuing good operational and cultural practices regarding impact management post exit. Driving impactful exit readiness also mitigates the ownership-related threats by attracting more aligned buyers later during exit.

Once the focal investors come near the exit point, there are a number of control strategies that they can adopt. One of them is an exit rationality assessment, where the focal investors assess the maturity level of the investee company's operations and identify the mitigations needed to maintain and sustain these operations following exit, thus reducing operations-related threats to impactful exits. Another control strategy is new investor alignment, where the focal investors undertake potential buyer due diligence and raise buyers' awareness of impact achievements and gaps in the investee company. This helps identify the most suitable buyers and provides them with a good understanding of what to do to ensure impact continuity after the exit of the focal investor, thus reducing the ownership-related threat to impactful exits. A third control strategy that the focal investors apply during exit is legally safeguarding the investee mission. Here, they incorporate dedicated clauses into the exit documentation to legally protect the investee companies' mission under the new investors, thus helping mitigate ownership-related threats to impactful exits.

Interestingly, the focal investors' concern for an impactful exit does not end after exiting from an investment project. Instead, impact investors also employ an impact-beyond-exit strategy. One aspect of this control strategy aims to ensure a more impactful exit in future investment projects by revisiting past investment and divestment decisions to reaffirm or revise investors' existing views on impact continuity. Another aspect of this control strategy can be seen in how these investors monitor (to the extent possible) the impact continuity in the exited investment projects by undertaking independent reviews of the impact continuity status of those projects.

Our findings presented in the process model above (Figure 2) provide new understandings of control strategies that can be adopted to mitigate threats to impactful exits in impact private equity. In this way, we contribute to the private equity exit literature (Cumming & Johan, 2010; Espenlaub et al., 2015) that has thus far focused on exit issues in traditional private equity. Although the private equity literature addresses several exit-related issues, we highlight how the conventional concept of exit in private equity differs in the impact private equity context. We show how the notion of impactful exits is operationalised in impact private equity firms, and how impact investors adopt a wider set of controls to facilitate such exits.

It is worth noting that although traditional and impact investors go through the same investment lifecycle stages in their respective investment projects (e.g., deal screening, deal structuring, post-investment monitoring and exit), the activities they carry out within each stage are quite different. For example, while both traditional investors and impact investors consider exit scenarios in the deal screening stage, they differ considerably in how they do so. Specifically, while considering different exit scenarios of a potential investment project in the deal screening stage, traditional private equity investors aim to identify the projects that will offer them the highest financial returns upon exiting (Cumming & MacIntosh, 2003; Farag et al., 2004). In contrast, as we have shown in our study, a central theme of impact investors' exit scenario evaluation at the pre-investment stage is to identify investee companies with impact-embedded business models to ensure impact continuity post exit.

5.2 | Implications for management controls in private equity

The accounting literature has a long tradition of studying management control issues in various settings, including manufacturing firms, professional service firms, public organisations and non-profit organisations (for recent studies, see, e.g., Akroyd & Kober, 2020; Chenhall et al., 2017; Conaty & Robbins, 2023; Delfino & van der Kolk, 2021; Höglund et al., 2021; Islam, 2019b). However, despite its economic significance in today's world, the private equity setting has largely escaped the attention of management control researchers (Bedford & Ditillo, 2022). We extend the nascent literature on controls in private equity by offering several key insights.

Our first insight is around the complexity of the control environment and the comprehensiveness of controls used in impact private equity firms versus traditional private equity firms. Due to its focus on financial goals, traditional private equity has a less complex control environment, which requires investors to adopt a smaller set of controls (i.e., mainly financial-return-oriented controls) (Nama & Lowe, 2014). In contrast, due to its focus on multiple, competing goals (i.e., financial and social goals), impact private equity has a more complex control environment. This requires impact investors to adopt a more comprehensive set of controls (e.g., impact-oriented controls in addition to financial return-oriented controls) before and during the investment. The variation of the control complexity and the comprehensiveness of controls adopted in impact private equity versus traditional private equity can also be observed at the exit stage. In traditional private equity, investors appear to adopt the same financial return-oriented controls (e.g., financial analysis) that they adopted in the pre-investment stage (e.g., Christner & Strömsten, 2015; Nama & Lowe, 2014). In contrast, impact investors employ several new impact-oriented control strategies at the exit stage, including an exit rationality assessment, new investor alignment and legally safeguarding investee mission. Without introducing these impact-oriented control strategies at the exit stage, the impact continuity that impact investors want for their investments may be significantly hindered post exit. This highlights the higher level of control complexity that persists during exit time in the impact private equity context (compared to the traditional private equity context) and the importance of introducing several new impact-oriented control strategies during exit to help ensure the sustainment of positive impact beyond the exit.

Overall, from a control perspective, impact private equity (pursuing both financial and impact goals) has a relatively higher level of control complexity than traditional private equity (pursuing financial goals only). Hence, a more comprehensive set of control strategies is warranted in impact private equity compared to traditional private equity. This can be manifested by impact investors adopting thoughtful impact-oriented controls in addition to financial controls as well as introducing new (rather than continuing the same) impact-oriented controls in different investment stages. This echoes the prior accounting literature on controls

(for a review, see Chenhall, 2003; Chenhall & Moers, 2015), which highlights the importance of adopting more comprehensive controls in an organisation when facing a higher degree of complexity and uncertainty.

Our second insight is on how control tightness – the degree of control completeness and specificity (Merchant & van der Stede, 2012) – differs between traditional private equity and impact private equity. Control mechanisms such as investment contracts in traditional private equity are more complete and specific (Farag et al., 2004; Metrick & Yasuda, 2011), demonstrating the use of tighter controls in traditional private equity. In contrast, for impact private equity, we find some evidence of using control mechanisms relatively loosely. For example, contractual provisions regarding exit routes and timings are more flexible in impact private equity to allow investee companies to establish sound operational practices necessary to generate the desired level of impact post exit. It is not uncommon for impact investors to structure their investment deals in a way that ‘an exit will not be undertaken unless the impact mission of the investee is considered intact in the business strategy combined with the relevant capacity to deliver it’ (Swedfund, 2020, p. 9). Hence, from a control perspective, investment contracts in impact private equity can be considered less complete (Anderson et al., 2014). Indeed, such contracts are ‘considered to be flexible frameworks which are to be filled in over time’ (Kamminga & van der Meer-Kooistra, 2007, p. 138), demonstrating the use of controls in a relatively loose fashion in impact private equity. This observation resonates with prior control literature (Cäker & Siverbo, 2011; Groot & Merchant, 2000), which emphasises the utility of using more flexible controls in conditions of higher uncertainty.

6 | CONCLUSION AND FUTURE RESEARCH DIRECTIONS

We investigate how impact private equity firms seek to sustain the impact of their investments post exit. We adopt an inductive research approach and examine qualitative archival data from 45 impact private equity firms to identify the control strategies they employ to manage ownership-, management- and operations-related threats to an impactful exit. We then develop a process model showing the control strategies that impact investors employ at different stages of an investment lifecycle to increase the chance of the investments' positive social/environmental impact beyond the exit. We also highlight how controls in traditional and impact private equity differ. Specifically, we show that the relatively higher level of control complexity in impact private equity (compared to traditional private equity) warrants impact investors to adopt a more comprehensive set of controls and use such controls relatively loosely.

Our study also has practical implications. A greater understanding of control strategies employed to facilitate impactful exits enables impact private equity investors to sustain the positive impact of their investment beyond the exit. This understanding would also help relevant policymakers and industry bodies to introduce new policies/guidelines to facilitate impactful exits in the impact private equity context.

This study sets the basis for several future research opportunities. For example, building on this study, future research could investigate the relative effectiveness of different control strategies employed at different investment stages and their interrelationships to manage an impactful exit from portfolio companies. Furthermore, it is not guaranteed that a specific control strategy will always ensure an impactful exit. In certain situations, one or more control strategies may fail to attain the desired outcome regarding impactful exits. Building on the current study, where post-exit data are available, future research could investigate which control strategies for impactful exits are successful or unsuccessful, and what could have been some counter-strategies to deal with unsuccessful cases effectively. Third, impact investing firms with different business models (Islam, 2019a; Spieth et al., 2019) may place different levels of emphasis on different control strategies. Future research could explore this issue in

greater detail. Fourth, the current study has examined impactful exits in the impact private equity context. As most impact private debts are self-liquidating at the end of the loan period, they often do not involve any separate exit decisions. However, where relevant, future research could investigate and theorise impactful exits in impact private debt, thus extending the current study.

ACKNOWLEDGEMENTS

We thank the editor and anonymous reviewers for their constructive comments and suggestions. Open access publishing facilitated by Auckland University of Technology, as part of the Wiley - Auckland University of Technology agreement via the Council of Australian University Librarians.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are openly available at sources mentioned in the paper.

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How to cite this article: Islam, S.M. & Akroyd, C. (2024) Control strategies for impactful exits in impact private equity firms. *Accounting & Finance*, 00, 1–24. Available from: <https://doi.org/10.1111/acfi.13258>