Balancing financial, social and environmental values: can new ventures make an impact without sacrificing profits?

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Abstract: What drives entrepreneurial action to create a lasting impact? The creation of new ventures that aim at having an impact beyond their financial performance face additional challenges: achieving economic sustainability and at the same time addressing social or environmental issues. Little is known on how these new hybrid organisations, aiming for multiple impact dimensions, organise and prioritise for their social, environmental, and financial goals. A dataset of 4,125 early-stage ventures is used to gain insights into how blended values are converted into financial, social and environmental impacts, giving shape to different types of hybrid organisations. Our findings suggest new hybrid organisations might opt to sacrifice financial impact to achieve social impact, yet this is not the case when they aim to generate environmental or sustainable impact. Therefore, the tensions and sacrifices related to holding blended values are not homogeneous across all types of new hybrid organisations.

Keywords: venture creation; hybrid organisations; blended values; social impact; environmental impact; entrepreneurship; sustainability.

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1 Introduction

Human actions are resulting in severe global sustainability threats. Environmental issues such as the overconsumption of resources or pollution of air and sea pose a substantial challenge to our planet's biocapacity (Dean and McMullen, 2007), while social harm finds expression for instance in poverty, overpopulation and corruption (Markman et al., 2016). To counteract this development and reduce its footprint, some firms are already following sustainability principles such as the 'triple bottom line' seeking to balance social, environmental and economic actions (Elkington, 2002). Sustainability is not a new term, but the topic has gained popularity in the past decades. Since entrepreneurship has the potential to make a positive impact to our environment and society (Shepherd and Patzelt, 2011; Dean and McMullen, 2007), sustainability aspects increasingly find their way into entrepreneurship research, fostering a growing body of scientific literature in fields such as social (Mair and Martí, 2006; Choi and Majumdar, 2014) and sustainable entrepreneurship (Shepherd and Patzelt, 2011).

New ventures seeking to address social issues have much in common with other innovative businesses, but they also face specific challenges such as how to scale their impact (DeSantola and Gulati, 2017), or how they can influence the political, social or environmental system they are embedded in (Alvord et al., 2004). Yet, making an impact is not bound to a certain location or context: scaling sustainability often seeks to provoke transformations around the globe (Zahra et al., 2008). As a result, social or sustainable entrepreneurship does not only aim at solving local problems, but it is a worldwide phenomenon that has the potential to transform the meaning of entrepreneurial activity (Santos, 2012; Lepoutre et al., 2013).

The concept of a sustainable organisation implies that the firm needs to find a balance between its social, environmental and financial goals (Cohen and Winn, 2007). According to Markman et al. (2016), however, new ventures would struggle to do so and often end up prioritising financial goals over social and environmental goals. This empirical research adds to the understanding of how social and environmental impact goals interact with financial goals in new ventures, thus giving ground to develop insights on how to support new ventures to better balance their goals towards sustainable business approaches.

In the first part of the article we explain how this work is embedded in the ongoing debate on what it means to be a hybrid organisation as a new venture. Subsequently, we present the hypotheses on the trade-offs between different types of goals and desired impacts as well as the research model. Then we describe the method, data and measures that are being used to answer the research question. We finalise with a presentation of the analysis results, discussion and implications for practice and further research in the topic.

2 Goal incongruence in hybrid organisations

There is an open call for entrepreneurial activity and entrepreneurship research that looks beyond the financial performance of new ventures (Shepherd, 2015). As a result, there is also renewed attention on the triggers for entrepreneurial action with social and environmental goals and impact (Zahra and Wright, 2016). While there has been extant research on the effects of motivations and intentions regarding the creation of for-profit new ventures (Hechavarria et al., 2012; Renko et al., 2012), the introduction of social and environmental performance brings the concept of hybrid organisations into the new venture creation process (Battilana and Dorado, 2010).

The concept of hybrid organisations is used to describe organisations that "combine different institutional logics in unprecedented ways" (Battilana and Dorado, 2010). They are defined as organisational forms that have structures and practices that can draw on at least two different paradigms, logics and value systems (Doherty et al., 2014). Building on prior research on how organisations respond to the conflicting demands from their environment, Glynn (2000) suggested that they could actually hold multiple logics at the same time. Following the case study used by Glynn (a symphony orchestra), an organisation could combine a utilitarian and expressive identity (Glynn, 2000). The hybrid organisation concept provides a framework to study whether and how conflicting institutional logics can coexist and how organisations address incongruent goals.

Goal incongruence appears when "what needs to be done to pursue one goal is incompatible with what needs to be done to pursue another goal" [Gagné, (2018), p.86]. The consequence of goal incongruence is conflict within the organisation, influencing employee satisfaction, organisational commitment and performance (Linder and Foss, 2018), jeopardising the viability of the organisation (Bruneel et al., 2016). Holding multiple logics to address incongruent goals creates an unstable balance subject to power struggles (Clegg 2010). However, prior research suggests that for some organisations it might pay-off to hold multiple institutional logics and incongruent goals, even if this means conflicts or tensions between the co-existing logics (Battilana and Dorado, 2010). To discern among the possible consequences, we revise the potential antecedents of goal incongruence. From the literature on institutional theory and resource-dependence, we extract that potential antecedents of goal incongruence can be related to external or internal sources. An organisation might have multiple identities in order to produce legitimate resource claims to different external audiences or institutions (Lawrence and Suddaby, 2006). Holding multiple logics in this context might broaden the resource access options and address the heterogeneous demands of stakeholders (De Massis et al., 2015). Alternatively, individual and group level factors are identified as antecedents of organisational goals, reflecting the values of powerful individual members or influential social groups inside the organisation (De Massis et al., 2015). Nevertheless, there is limited research on the actual content that creates the goal (in) congruence. Little work has been done to study the "choice of objectives that the organization wants to achieve and the prioritization of multiple potential goals" [Linder and Foss, (2018), p.49].

In the context of new ventures, the focus is on better understanding how hybrid organisations emerge and how they get organised to address multiple goals (Battilana and Dorado, 2010; Battilana and Lee, 2014). The creation of a new venture, from an entrepreneurship research perspective, is described as a process in which the entrepreneurial identity and values play a central role influencing on the objectives and goals of the new firm (Fauchart and Gruber, 2011). The identity and values of the entrepreneur would help to explain the goals and impacts that are set for the new venture. Compared with established organisations, new entrepreneurial ventures are emerging organisations often constrained by resources (Desa and Basu, 2013). Therefore, the co-existence of conflicting values or competing institutional logics are expected to result in organisational tensions that can have a direct impact on the well-being of the entrepreneur and the survival of the new venture (Kelly et al., 2015).

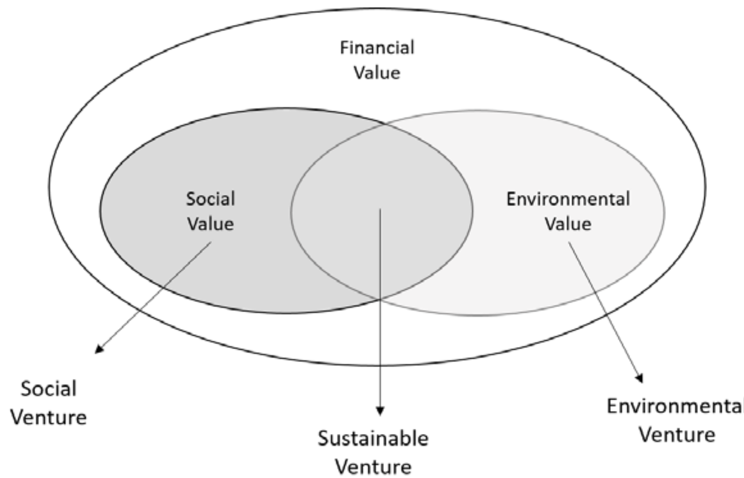
As a result, it is critical to advance in research questions that explore how the social, environmental and financial goals co-exist in new hybrid organisations and whether we can observe differences in the content and prioritisation of these goals in new hybrid organisations.

3 Aiming at multiple goals in new hybrid organisations

The debate on whether it is desirable that new organisations aim for other goals besides financial performance (Zahra and Wright, 2016) connects with the question of whether all new ventures should be encouraged to hold blended values (McMullen and Warnick, 2016). The concept of blended values was introduced to describe situations in which organisations aim at achieving social and financial goals (Emerson 2003). Thus, new ventures that hold blended values would be hybrid organisations that aim for at least two of the three possible goal dimensions: financial, social, and environmental.

As suggested by McMullen and Warnick (2016), hybrid organisations holding different values and goals could be classified as social, environmental, or sustainable ventures (see Figure 1). It is against this framework that we propose to explore the implications of different types of blended values and (in) congruent goals in new hybrid organisations.

Figure 1 Conceptualisation of blended values and types of hybrid organisations



Source: Adapted from McMullen and Warnick (2016)

Investigating the configuration and prioritisation of the different goals can help to depict the different conflicts and tensions across new hybrid organisations forms. For example, a new social venture that provides financial services to an excluded rural community might face difficulties in balancing profit maximisation (financial goal) with universal access to their basic financial services (social goal). Similarly, an environmental venture that produces technical equipment to capture and transform wasted heat into energy might find it challenging to maximise profits (financial goal) and maximise CO^2 emissions reduction (environmental goal) at the same time. Although both cases would be labelled as new hybrid organisations, their goal conflicts and blended values potentially translate into different operating challenges and priorities.

4 Hypotheses development

To explore the potential natures of new hybrid organisations we study how the different possible values and organisational goals co-exist, and whether different types of new hybrid organisations can be identified. We use the term 'values' when referring to the inner beliefs of the entrepreneur which are antecedents of the organisational goals (McMullen and Warnick, 2016), and we refer to 'impact dimensions' or 'impact goals' as the tangible goals that the venture aims to realise. Thus, a social venture holding social values is expected to aim at realising social impact goals, but still also seeks to follow a financial impact goal. Likewise, a sustainable venture holding social and environmental values would be expected to aim for social and environmental, but also financial impact goals (see Figure 1).

The first tension we propose to study arises between social and financial impact goals in the context of social ventures as hybrid organisations. On the one hand, social entrepreneurship and social enterprise researchers suggest that new ventures that are started with social and financial goals might be able to address the potential incongruences and conflicts (Battilana and Lee, 2014). Compared to established organisations, new ventures born with these blended values are less exposed to the contestation dynamics that emerge in an established organisation when a contradictory logic is introduced (Besharov and Smith, 2014). For instance, Doherty et al. (2014) refer to the conflicts that emerged in NGOs that were pushed to engage in commercial activities, undermining their social mission and goals. On the other hand, McMullen and Warnick (2016) argue that an emphasis on the co-existence of social and economic goals comes at the cost of the ‘capitalist’ entrepreneurship dynamics that has historically proven to be a social and economic growth driver. Furthermore, Bruneel et al. (2016) argue that it is rather complex for a for-profit social enterprise to balance the competing demands of the financial and social impact goals, suggesting that - unless there is a strong hybrid governance - these organisations are likely to fail. As a result, we would expect that social ventures are likely to accommodate social goals at the expense of reducing their financial impact goals, but it remains unclear whether the introduction of social goals in the new venture comes at the expense of reducing profit maximisation ambitions to accept break-even or controlled operating losses as financial goals.

Therefore, we propose:

H1 Social impact goals in new hybrid organisations come at the cost of financial impact goals.

The second tension we explore is driven by the introducing of environmental impact goals in the new venture. While achieving financial and social impacts at the same time is mostly seen as challenging conflict for new ventures (Zahra and Wright, 2016), there does not seem to be a predominant view among scholars regarding the coexistence of financial and environmental impact goals. On the one hand, Dean and McMullen (2007) suggest that financial and environmental impacts can be pursued simultaneously. They argue that profitable opportunities for entrepreneurs can be based on market failures that affect the environment positively when being addressed. On the other hand, there are other researchers who posit that there is a clear trade-off between environmental and economic objectives for entrepreneurs (Hall et al., 2010). Balancing both can turn out to be challenging as environmental goals may be prioritised over making profits (Kirkwood and Walton, 2010). Schaltegger and Wagner (2011) point towards a difference in entrepreneurship literature by stating that in social entrepreneurship, economic goals are means to achieve societal goals, while in environmental entrepreneurship, they represent the ends themselves. As a result, we might discover differences in how entrepreneurs make room for different impact dimensions related to the blended values they hold.

Thus, we suggest:

H2 Environmental impact goals in new hybrid organisations come at the cost of financial impact goals.

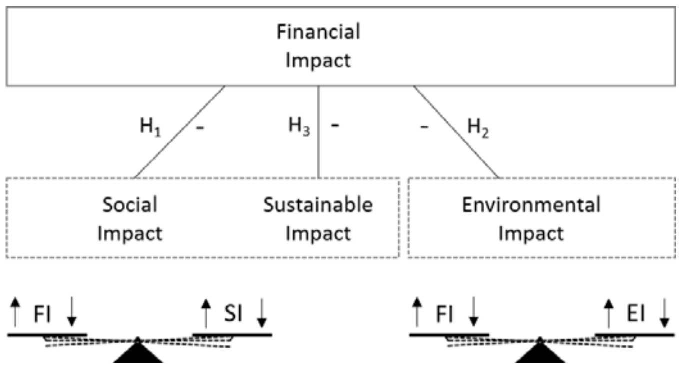
Sustainable ventures would then be exposed to these two tensions, as they aim to combine social, environmental, and financial goals. As a result, we expect an effect in the same direction as the above-mentioned hypotheses, assuming an accumulative effect of the organisational conflicts with incongruent goals.

In this line, we expect:

H3 Sustainable (social and environmental) impact goals in new hybrid organisation come at the cost of financial impact goals.

We summarise the proposed hypotheses in the following research model (see Figure 2).

Figure 2 Research model



5 Research design

5.1 Data

We use a dataset of 4,125 new ventures that have submitted their application to accelerator programs in 128 countries between 2013 and 2015. The dataset has been developed by the Entrepreneurship Database Program at Emory University in collaboration with accelerators and entrepreneur support programs (SocialEnterpriseGoizueta, 2016). The data is collected with an online survey, administered to all entrepreneurs applying at any of the acceleration programs (as they submit their application), regardless of whether they are accepted or not.

The data collected from the survey has been revised to set aside duplicate applications (i.e., a new venture applying to more than one accelerator program), and uncompleted applications to the programs.

The sampling strategy of accelerator programs in each country has a specific focus on capturing a relevant representation of social entrepreneurship accelerators, this includes new firms that aim to generate a social and/or environmental impact. Thus, it fits particularly well to our ambition of gathering information on blended values in new hybrid organisations.

The sample includes 4,125 ventures which applied for an accelerator program in 2013 (N = 871), 2014 (N = 1,515) and 2015 (N = 1,739). Not counting ‘undecided’ or ‘other’, the sample contains 14 % of ventures (N = 504) with a ‘non-profit’ legal status and a clear majority of 86 % ventures (N = 3,168) with a ‘for-profit’ legal status.

Table 1 Distribution of ventures by full-time employees

Full-time employees	*0*	*1–2*	*3–5*	*6–10*	*11–20*	*> 21*
# of ventures	1,935	945	701	282	152	110

Most frequently named primary sectors that are being impacted by the ventures are agriculture and education, followed by the health sector. Similarly, production and manufacturing (N = 1,335) and services (N = 2,725) are the most common main activities among the new ventures (see Table 2).

Table 2 Distribution of ventures by type of operational model

Operational model	*Production and manufacturing*	*Processing / packaging*	*Distribution*	*Wholesale / retail*	*Services*	*Financial services*
# of ventures	1,335	573	989	909	2,725	548

More than half of the sample (52.58%) indicate that their venture is invention-based. While almost 30% hold trademarks, patents are held by about 15% which equals the relative number of ventures holding copyrights.

Founders are on average about 35 years old and tend towards forming a venture team: nearly three quarters of the ventures are found by at least two persons, 39% by at least three persons. Looking at the gender, 49.96% of the venture founders are run by men, whereas only 14.79% of are run by women only. About a third of the ventures are constituted of mixed founder teams. The most frequent highest educational level is a bachelors' degree, followed by the master's degree. On average, ventures registered for the survey 2.78 years after their foundation. Details on the country of operation for the sample of new ventures is provided in Appendix 1.

5.2 Measures

5.2.1 Dependent variables

In order to capture the aim of the entrepreneur to make an impact, the Impact Reporting and Investment Standards (IRIS) are used to define the different possible impacts (Jackson, 2013). A range of such potential impacts has been used in the survey. In order to follow the research idea, wegrouped these into the two main dimensions social and environmental applying a normative classification (see details in Appendix 2).

If the new venture reports impact in the social dimension, then a binary variable for social impact is created with value '1'. The same process is followed for the environmental impact. If a new venture has indicated to aim for both social and environmental impact (coded as 1 in each case), then this is also coded as '1' in the additional binary variable of sustainable impact. Consequently, three different binary variables are obtained that capture information about the intended impact of the new ventures in the sample.

Additionally, a variable that captures the type of hybrid organisation is created. It can take four possible values: (0) if the new venture only aims for social impact, (1) if the new venture only aims for environmental impact, (2) if the new venture aims for sustainable (social & environmental) impact, (3) if the new venture does neither report social nor environmental impact. This measure is used in a robustness check of the results.

5.2.2 Independent variables

As financial impact is assumed to be held by all types of new ventures, it has been included in the analysis as the main independent variable. We apply two different measures for the financial impact. First, as a measure for whether the venture's goal is to achieve a financial impact or not, we use the variable *info_financial_goals* that is the response to the question: ‘what are the financial goals of your venture?’, coded with 1 = cover costs, and 2 = cover costs and earn some profit.

Second, the financial impact ambition is determined with a question referring to the target profit margin of the new venture: ‘Do you have some specific profit margin in mind?’, for which respondents can indicate a margin ranging from 0% to more than 20% on a 5%-interval-scale.

5.2.3 Controls

Given the specific novel nature of hybrid organisations, and the interest to further understand their nature, details on the reported operating model of the new venture have also been included in the analysis, aiming at capturing how different business models might be related to specific forms of hybrid organisations. This includes the different options described in Table 2 (see above in the data section), which capture information on whether the new venture focuses on offering new products, services, distribution or retail among others.

Additional, rather common controls that have been used in the analysis are relating to firm size (number of employees in the new ventures), age of the firm at the time of submitting the application to the accelerator program, and whether it is based in the USA or in the rest of the world.

5.2.4 Data analysis

We use a logit analysis to study the relationship between financial and the other potential blended values: social (Model 1a), environmental (Model 1b), or sustainable (Model 1c). For each of the logit analysis models, first a main effects analysis was done and then the controls were added. As no substantial changes in the coefficients were observed, they are reported with the controls to simplify the presentation of the results. The McFadden Pseudo-$r^2$is reported as well to offer a reference on the dependent variable’s variance that each model captures.

To complement the logit model, a multinomial model (Model 2) is done. The multinomial uses type of hybrid organisation as dependent variable, thereby distinguishing four possible values, social venture ‘0’ being the dominant response).

6 Results

The structure of this section follows the data analysis models as well as the hypotheses proposed in the research model section. Firstly, the data analysis model testing our three hypotheses using logistic regression analysis is presented. It investigates the effect of having financial targets on holding social impact goals (H1; Model 1a), environmental impact goals (H2; Model 1b) or both (H3; Model 1c) as blended values are presented (see Table 3). Secondly, the second data analysis model also providing insights into the hypotheses employing a multinomial regression analysis is shown (see Table 4).

Table 3 Results of the logit data analysis

Model 1	*Model 1a (H1)*		*Model 1b (H2)*		*Model 1c (H3)*	
	Social impact		*Environmental impact*		*Sustainable impact*	
	Coef.	*t*	*Coef.*	*t*	*Coef.*	*t*
Financial goal						
2 Costs and profit	–0.543	(–0.50)	0.861	(1.31)	0.817	(1.25)
Target margin						
1 0–5%	0.622	(1.12)	0.001	(0.00)	0.073	(0.22)
2 6–10%	1.091**	(3.20)	0.126	(0.73)	0.193	(1.12)
3 11–15%	0.019	(0.10)	0.370*	(2.56)	0.342*	(2.35)
4 16–20%	0.315	(1.75)	0.435***	(3.53)	0.404**	(3.25)
5 More than 20%	0.028	(0.21)	0.036	(0.35)	–0.020	(–0.19)
Business model						
Production and manufact.	–0.194	(–1.45)	0.992***	(10.98)	0.881***	(9.63)
Processing/packaging	0.076	(0.43)	0.537***	(4.61)	0.488***	(4.22)
Distribution	0.152	(0.99)	0.225*	(2.21)	0.238*	(2.33)
Wholesale/retail	0.134	(0.90)	0.328**	(3.28)	0.362***	(3.61)
Services	0.250*	(1.98)	–0.120	(–1.37)	–0.091	(–1.03)
Financial services	0.421*	(2.23)	–0.618***	(–4.66)	–0.504***	(–3.79)
Additional controls						
Firm size: employees	0.003	(0.44)	–0.006	(–1.39)	–0.005	(–1.18)
Venture Age	–0.000	(–0.74)	–0.000	(–0.55)	–0.000	(–0.41)
Country: USA vs. other	–0.164	(–1.41)	–0.155	(–1.81)	–0.237**	(–2.71)
Constant	2.315*	(2.12)	–2.042**	(–3.05)	–2.083**	(–3.13)
Pseudo r2	0.0172		0.1059		0.0928	
bic	2,499.290		4,045.612		3,980.752	
vceoimoimoim						
N	3,402		3,402		3,402	

Notes: *p < 0.05, **p < 0.01, ***p < 0.001.

Regarding Model 1, the overall logit model offers a moderate fit for sustainable and environmental ventures (McFadden pseudo r2 0.09–0.11). Yet the measure of pseudo r^2 should not be considered equivalent to the regression value of r^2. We also added the *bic* – Bayesian Information Criterion, it provides the possibility to compare the fit of the different models we have used. For further information on the model fit using the bic indicator please see (Hoetker, 2007).

Looking at the results of the logistic regression Model 1a as displayed in Table 3, we observe that H1 (social impact goals come at the cost of financial impact goals) is mostly confirmed as relatively lower target margins are positively related to aiming at having social impacts (target margin 6–10% → 1.091, p<0.01). Moreover – although not statistically significant – aiming at achieving profits in addition to covering costs seems negatively associated with wanting to create social impacts (–0.543).

Contrary wise, the results as shown in Table 3 do not seem to support H2 (environmental impact goals come at the cost of financial impact goals), as a relatively high profit target margin of 16–20% represents a highly significant ($p < 0.001$) positive coefficient (0.435) in Model 1b which tests factors influencing on new ventures that primarily want to make environmental impacts. This finding is further supported by the – although analogue H1 not statistically significant – positive coefficient of the financial goal variable (0.861).

Judging by the results of Model 1c, H3 (sustainable impact goals come at the cost of financial impact goals) is not supported. Though not as strongly as in Model 1b, relatively higher target margins are focused by new ventures holding both social and environmental values (0.404, $p < 0.01$).

Table 4 Results of the multinomial analysis for the type of hybrid organisation

Model 2	*Environmental impact*		*Sustainable impact*		*No. impact*	
	Coef.	*t*	*Coef.*	*t*	*Coef.*	*t*
Financial goal						
2 Costs and profit	13.185	(0.01)	0.873	(1.32)	0.628	(0.58)
Target margin						
1 0–5%	–13.546	(–0.01)	–0.010	(–0.03)	–0.526	(–0.93)
2 6–10%	–0.933	(–1.23)	0.052	(0.29)	–1.098**	(–2.87)
3 11–15%	0.437	(1.07)	0.373*	(2.45)	0.046	(0.20)
4 16–20%	0.436	(1.23)	0.380**	(2.95)	–0.360	(–1.69)
5 More than 20%	0.384	(1.34)	–0.020	(–0.18)	–0.154	(–1.01)
Business model						
Production and manufact.	1.448***	(5.55)	0.996***	(10.42)	0.288	(1.80)
Processing/packaging	0.580*	(1.98)	0.541***	(4.37)	0.033	(0.14)
Distribution	0.042	(0.15)	0.225*	(2.10)	–0.087	(–0.48)
Wholesale/retail	–0.041	(–0.15)	0.366***	(3.47)	0.050	(0.28)
Services	–0.263	(–1.08)	–0.154	(–1.67)	–0.296*	(–2.00)
Financial services	–2.566*	(–2.54)	–0.594***	(–4.39)	–0.370	(–1.87)
Additional controls						
Firm size: employees	–0.017	(–0.93)	–0.006	(–1.32)	–0.002	(–0.37)
Venture Age	–0.000	(–0.35)	–0.000	(–0.27)	0.000	(0.91)
Country: USA vs. other	0.411	(1.82)	–0.210*	(–2.32)	–0.011	(–0.08)
Constant	–16.947	(–0.01)	–1.926**	(–2.86)	–2.169*	(–1.96)
Pseudo r2	0.0785					
bic	6,628.829					
vceoimoimoim						
N	3,402					

Notes: *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

Regarding the other variables used for the analysis, it is observed that different business models have a high explanatory power regarding the impacts new ventures want to have. While non-tangible-product business models (=service driven) are more related to social impact goals, environmental and sustainable impact goals are often found where the business model is based on tangible products. Firms size and venture age do not affect new ventures' blended values. With respect to the ventures' country of operation, we can see that being based in the US seems to go along with having blended values. The results in particular reveal that US-based firms want to make a sustainable impact (–0.237, $p<0.01$, negative coefficient as US-based firms are coded with 0), thus besides aiming at making profits try to balance social and environmental impact targets.

The proposed hypotheses are further investigated by applying a multinomial analysis described as model 2. Looking at Table 4, we see the output of the analysis. Ventures only holding social impact goals as blended value serve as the reference model since this group is the dominant one. The three comparing categories shown in the results table are: having only environmental impact goals targets as blended value (first column), pursuing both environmental and sustainable impact targets (second column) and not holding any blended values (third column).

The direct comparison of venture impact types as an additional analysis help to understand the differences between firms characterised by different blended values. This does not allow to directly draw conclusions on the hypotheses, but nevertheless we can detect tendencies that may support the results of the logistic regression models previously shown.

Compared to social impact type ventures, environmental impact ventures seem to be less likely to aim for lower target margins of 6–10% (–0.933) and more likely to aim for higher target margins (e.g., 0.436 for 16–20%). These figures are, however, not statistically significant at the 95% level. Hence, we can only see a data tendency here, suggesting that compared to social ventures, environmental ventures appear to be more able to simultaneously follow high target margins and their other impact targets. This in turn seems to support H1, but not H2.

If we assume that H1 holds, and social impact goals in hybrid organisations come at the cost of financial impact goals, then the results as shown in Table 4 would rather indicate that H3 (sustainable impact goals come at the cost of financial impact goals) is not supported. Compared to social ventures, sustainable ventures are more likely to report relatively higher target margins (for example 16–20%, 0.380, $p < 0.01$).

Further findings include that compared to social ventures, environmental and sustainable ventures are more likely to have a production and manufacturing or processing / packaging business model, and less likely to engage in a financial service business model. US-based ventures are significantly more often found in the sustainable venture category than in the social impact type category.

Summarising the influence of the controls across all regression models, some turned out to be less relevant for hybrid ventures than others. Instead of observing significant positive or negative effects from venture age and size, the two coefficients have a neutral effect on the adoption of blended values. Yet the coexistence of values turns out to be impacted by the ventures' business models as well as the country of operation (US vs. rest of the world).

7 Discussion and implications

Recent research on hybrid organisations in entrepreneurship highlights the relevance of clarifying what drives entrepreneurial action with social and environmental impact goal ambitions (Zahra and Wright, 2016). The open debate on whether a new venture should incorporate blended values has triggered a broad discussion on characteristics of new hybrid organisations (McMullen and Warnick, 2016).

The results of this research provide clues in three different areas relating to the adoption of blended values and new hybrid organisations:

1 clarifying the concept of new hybrid organisation and its heterogeneity

2 illustrating the linkages between financial, social, and environmental goals

3 proposing a categorisation of new hybrid organisations.

Firstly, prior research has treated hybrid organisations or ventures with blended values as a homogeneous group, aiming at explaining the differences between organisations that only hold financial goals – thus wanting to make an economic impact – and those that aim at combining this with other values and goals (social or environmental). As part of the growing body of research on hybrid organisations, we contribute by suggesting that not all hybrid organisations might be the same. Our research uncovers that when organisations adopt additional values, they might do so at the expense of financial impact objectives. While a trade-off between financial returns (target margin objective) and social value is visible, there is a complementarity between financial and environmental values. This complementarity is also observed when financial goals are combined with sustainable goals (combination of both social and environmental values).

Secondly, we are able to illustrate linkages between the different types of values and the operating modes of the organisation (business model). As a result, we can characterise the so called social ventures as organisations that sacrifice financial returns by lowering their financial targets and focus on offering services as operating model. We depict the environmental and sustainable ventures as organisations being able to hold higher target margins (financial goals) and run their business by manufacturing, distributing or retailing products. Therefore, environmental impact dimensions may be set as a goal of the new venture without harnessing the possibility of having a financial goal or for-profit objective. As this effect is not only observed in the USA but in other countries of the world, we may see a global phenomenon that concerns new hybrid organisations in many different contexts.

These results are relevant not only for researchers interested in understanding better how new hybrid organisations sort the tensions related to holding contradictory values, but also for policy makers interested in promoting sustainable entrepreneurship. The evidence that new organisations see the need to sacrifice financial returns to deliver their social impact objectives points at the necessity to provide specific support mechanisms for this type of ventures. On the other hand, the observation that new organisations making an environmental impact are mostly able to keep high levels of financial targets also seems to be linked to their ability of activating business models (selling products) that provide means to not only create value, but also to capture it. Policy makers should be made aware that initiatives for the promotion of social entrepreneurship (Zahra and Wright, 2016) might require further long-term support for new ventures since their ability to generate financial impact might be limited, in particular if they have a purely social impact focus.

8 Limitations and research opportunities

This exploratory research on the adoption of blended values by new ventures aims to trigger further investigative efforts on the emergence of hybrid organisations. The cross-sectional nature of the data we used opens the opportunity to validate, complement, and extend our findings. It could for example be valuable to introduce a longitudinal perspective, which would allow analysing deviations regarding the aimed impact (goals or objectives of the new venture) and actual impacts achieved by the organisation. Such an investigation could shed light on whether organisations change or modify their impact dimensions as a response to organisational challenges or external pressures. Additionally, further insights could be gained if we also were to retrieve information from the different funding sources that might have influenced on changes in the impact dimensions of the new organisation.

Since we are using self-reported data from new ventures that applied to accelerator programs, we are vulnerable to biases known in this type of reporting. Respondents might be reporting criteria that are believed to be desirable or that show the better side of their new venture (Petty and Gruber, 2011). This potential validity bias is common in self-reported data in entrepreneurship research, in particular when entrepreneurs are surveyed to gather data on their new ventures (Rauch et al., 2009). Since the data was collected as part of a formal application process, the responses might be less vulnerable to this bias than a separate survey on the founders' perceptions and actions. An additional limitation is that the sample only comprises firms that registered their information to apply for an acceleration program. Accordingly, our data is not representative of the total population of new ventures in a region or industry, but only of those that apply to accelerator programs. Thus, the results should be read with caution and without strict generalisation intentions beyond the reasonable boundaries of our research context.

In this research we have not studied the potential effects of business model choices, or other potential influences coming from the industry or sector of the new venture. These factors could add additional information on whether the presence of blended values responds also to institutional pressures besides the financial or social goals of the entrepreneur. Additional research efforts could also benefit from introducing a cultural perspective to the development of non-financial values, as these could have different signalling value depending on the cultural context of the entrepreneur.

Further analysis may also consider the different types of philanthropic finance sources or donors, as the contribution and influence of a government, a private foundation, or a crowdfunding donor could have different effects on the sustenance or abandonment of blended values.

From a global perspective on the adoption of blended values by new hybrid organisations it could also be interesting to further explore to what extent context matters. In our research, we have controlled for potential differences between the USA and rest of the world. Further research could help to clarify whether there are differences in other regions of the world. Here it may be interesting to assess whether the trade-off between social and financial values also exists in regions with a stronger presence of community-based organisations, or whether environmental values and financial targets also go along together in regions with weak institutional pressure on sustainability.

9 Conclusions

The motivation of many entrepreneurs to create a new venture goes beyond the generation of financial returns. While management research has been studying how hybrid organisations would manage to combine financial, social, and environmental values, there is limited research on how this phenomenon occurs in the early stages of venture creation. A better understanding of new hybrid organisations promises to offer hints on why holding multiple values and goals (blended values) could result in tensions that impact on the future development of the new organisation.

We have used a rich dataset of new ventures that reported their financial, social and environmental impact objectives. We could observe how they would form different combinations of goals, suggesting that there are differences in the complementarity between them. Furthermore, the details on how different business models of operation relate to the type of hybrid organisation contributes to specify the characteristics of these organisations.

This work contributes to the growing research interest in social entrepreneurship and sustainability by illustrating and clarifying the choices and sacrifices that entrepreneurs behind new hybrid organisations make. The findings open up opportunities to further explore underlying causes and consequences for these different types of organisations. Entrepreneurs and policy makers alike might benefit from a better understanding of the implications some of their choices potentially have for the future development of their ventures.

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Appendix 1

Table A1 Detail on the country distribution of the new ventures surveyed

Country	*Frequency*	*%*	*Cum. %*
USA	1,344	32,7%	32,7%
India	422	10,3%	42,9%
Kenya	402	9,8%	52,7%
Mexico	363	8,8%	61,5%
Nicaragua	185	4,5%	66,0%
Uganda	153	3,7%	69,8%
Canada	124	3,0%	72,8%
South Africa	102	2,5%	75,2%
Nigeria	99	2,4%	77,7%
United Republic of Tanzania	86	2,1%	79,7%
Colombia	65	1,6%	81,3%
Other	768	18,7%	100,0%
Total	4,113	100,0%	

Appendix 2

Table A2 Detail on the classification of different impact types* into the key impact dimensions

Type of impact	*Impact dimension*
Impact area: access to clean water	Social
Impact area: access to education	Social
Impact area: access to energy	Social
Impact area: access to financial services	Social
Impact area: access to information	Social
Impact area: affordable housing	Social
Impact area: agriculture productivity	Environmental
Impact area: biodiversity conservation	Environmental
Impact area: capacity building	Social
Impact area: community development	Social
Impact area: conflict resolution	Social
Impact area: disease-specific prevention and mitigation	Social
Impact area: employment generation	Social
Impact area: energy and fuel efficiency	Environmental
Impact area: equality and empowerment	Social
Impact area: food security	Social

Notes: *Variables from the survey coded with yes/no.
Social and environmental impact dimensions are then used for the data analysis.

Table A2 Detail on the classification of different impact types* into the key impact dimensions (continued)

Type of impact	*Impact dimension*
Impact area: generate funds for charitable giving	Social
Impact area: health improvement	Social
Impact area: human rights protection or expansion	Social
Impact area: income/productivity growth	Social
Impact area: natural resources/biodiversity	Environmental
Impact area: pollution prevention and waste management	Environmental
Impact area: sustainable energy/fuel efficiency	Environmental
Impact area: sustainable energy	Environmental
Impact area: sustainable land use	Environmental
Impact area: support for high-impact entrepreneurs	Social
Impact area: water resources management	Environmental
Impact area: support for women and girls	Social

Notes: *Variables from the survey coded with yes/no.
Social and environmental impact dimensions are then used for the data analysis.