

To What Extent Do Hybrid Start-ups Strive for Different Impact? Insights from Explorative Case Studies



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To What Extent Do Hybrid Start-ups Strive for Different Impact? Insights from Explorative Case Studies

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Abstract The purpose of this article is to advance the sustainable entrepreneurship research context by establishing an in-depth understanding of the aspired successes and related sustainability results of hybrid and non-hybrid start-ups against the background of a multi-level perspective. The insights are generated through an explorative multiple-case-study approach including twelve German start-up companies both hybrid start-ups and non-hybrid start-ups. There is limited research that conceptualizes aspired successes applying a multi-level view to the firm level of start-ups. This article provides comprehensive insights into different success and result categories of sustainable entrepreneurship and provides both future research as well as practitioners with a clear directive of how to navigate in the hybrid start-up context. Finally, the discussed differences and similarities between hybrid start-ups and non-hybrid start-ups draw a clearer though differentiated line between these two archetypes of start-ups.

Keywords sustainability; entrepreneurship; system level; hybrid business; sustainability impact; start-up

1. Introduction

There is an ongoing debate about how sustainable entrepreneurship can foster sustainable development and the transformation towards sustainable societies and economies [1–3]. Sustainable entrepreneurship differs from conventional entrepreneurship in the aim of contributing to sustainable development by creating a sustainability impact [3–5].

Previous research has used different terms to describe entrepreneurs and their respective start-ups which strive for the creation of financial as well as social and/or environmental impact. In the sustainable entrepreneurship context, and its related subareas of social entrepreneurship and environmental entrepreneurship, the key terms used include “sustainable entrepreneurs” [6], “green start-ups” [7], “environmental entrepreneurs” [8], “eco-preneurs” [9] and “social entrepreneurs” [10,11]. Hybrid organizations research subsumes these terms under the umbrella term of “hybrid businesses” including “businesses and entrepreneurs that pursue social and/or ecological goals while being guided by a distinct business mindset and some form of commercial orientation” ([12], p. 1). While hybrid businesses combine at least two institutional logics [13], non-hybrid businesses pursue exclusively economic goals. The present study follows on from this and refers to the terms “hybrid start-ups” and “non-hybrid start-ups”. Hybrid start-ups have a high potential to create a sustainability impact. Within their research on the sustainability transformation of industries, Hockerts & Wüstenhagen [6] distinguish between established companies (incumbents) and emerging and young companies (start-ups). Proactively taking advantage of upcoming, sustainability-related market opportunities start-ups have a higher potential to foster radical innovations toward sustainable development [6,14]. On the contrary, the innovation power of established companies lies in their strength to foster subsequent incremental innovations and to scale them based on their established market presence.

Only recently, Fichter et al. [15] called for more research applying a multi-level perspective when conceptualizing sustainability impact. There are different mechanisms by which sustainability impact can be generated and different levels at which it becomes visible [16]. In the context of this study, “transformational mechanisms” play an essential role as they describe how micro-level actors (start-ups, stakeholders) can engage in a sustainability transition at the meso-level (markets) and macro-level (society, environment).

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Which sustainability impact start-ups strive for has broadly been analysed on an individual level considering the individual entrepreneur. Regarding the individual level, research on sustainable entrepreneurial intentions [17], expectancy theory [18,19] as well as goal-setting theory [20] can be named. However, less empirical research exists that streamlines the aspired successes and related sustainability results of hybrid start-ups on a firm level perspective applying a multi-level view [15].

Against this background, academia and practice would benefit from a better understanding of the different levels at which the aspired successes and related intended results aim to unfold. Analysing both hybrid and non-hybrid start-ups helps to reveal the similarities and differences in a more differentiated way than has been done so far, e.g., in terms of stakeholder engagement. In this regard, stakeholder theory argues that firms should consider the interests of stakeholders in their decision-making processes. Success is defined by the ability to create value for a broader set of stakeholders, including employees, customers, beneficiaries, and communities [21,22].

Research on hybrid organizations with a focus on social enterprises emphasizes the challenge of balancing the engagement in social activities and commercial activities [23–25]. Adding to this, this study broadens the perspective on hybrid organizations by distinguishing them based on their aspired successes and the affected micro-, meso-, and macro-level rather than their types of core activities. By focusing on start-ups, it addresses the research gap mentioned by Battilana & Lee [23] and Ebrahim et al. [24] who call for the study of other types of hybrid organizations than just social enterprises.

The focus is on investigating the aspired successes and related sustainability results of hybrid start-ups. These are compared with non-hybrid start-ups to identify differences and similarities based on a consistent research framework. Therefore, by means of an in-depth case study approach, this study deals with the research question of how the aspired successes and related intended results of hybrid start-ups differ from those of non-hybrid start-ups and how these results can be classified against the background of a multi-level perspective. Consequently, this research contributes to the research fields of sustainable entrepreneurship and hybrid organizations by providing insights into different types of start-ups and their aspirations of being successful as well as their approach towards creating sustainability results. Additionally, this study deepens the understanding of the different levels where sustainability results can unfold and presents a comprehensive agenda for future research.

The paper is organized as follows. After an in-depth review of the underlying theoretical concepts, the explorative case study methodology is introduced. Next, the results from the data analysis are presented. In the final section, theoretical and managerial implications along with limitations and future research opportunities are discussed.

2. Underlying Concepts

2.1. The Sustainability Transformation Potential of Entrepreneurship

To foster societal, environmental, and economic sustainability is one of today's key transformation challenges. In the corresponding political debate, the vision of sustainable development [26] is to be achieved by respecting the planetary boundaries [27], achieving the 17 Sustainable Development Goals [28], and contributing to the grand challenges involved. In this context, research on the nexus of entrepreneurship and sustainable development led to the formation of sustainable entrepreneurship as a steadily growing research field of increasing relevance [29–31]. Sustainable entrepreneurship has followed a new way of entrepreneurial thinking moving beyond a pure economic paradigm or only shareholder-based decision-making but considering the economic, social, and environmental gains of entrepreneurial opportunities [3].

There are different research streams connected to sustainable entrepreneurship which address economic in line with social and/or environmental value creation. Thereby, sustainable entrepreneurship is the only concept that aims to reach economic, social, and environmental goals (triple bottom-line results) with equal priority [3,32]. In comparison, the main purpose of social entrepreneurship is to fulfil and finance a certain social mission [32,33]. Environmental, eco, or green entrepreneurship, in turn, concentrates business activities on solutions for environmental problems [32] whereas conventional entrepreneurship is mainly based on the fulfilment of pure economic goals [3]. As a new, complementary perspective, Johnson & Schaltegger [16] introduced the concept of *entrepreneurship for sustainable development*. This concept highlights the role of causal mechanisms relating entrepreneurial processes to results based on a multi-level

perspective. The related multi-level causal mechanism framework of Johnson & Schaltegger [16] addresses three categories of causal mechanisms, including situational mechanisms, action-formation mechanisms and transformational mechanisms [34]. The transformational mechanisms are particularly interesting for this study, as they address the power of individual actors on a micro-level pushing towards transformative results on a meso-level (markets, networks, local communities) and macro-level (contexts and institutions) [16]. Johnson & Schaltegger [16] point out that the collective actions of start-ups and their stakeholders can lead to necessary changes in business environments to address sustainable development. For example, start-ups that offer ride-sharing services have the potential to reduce the number of privately owned vehicles on the road. As more people opt for ridesharing, there is less need for personal car ownership, leading to reduced emissions and lower environmental impact. In addition, many solar start-ups actively engage with policymakers and advocate for favourable policies, incentives, and regulatory frameworks to promote the growth of renewable energy. Their collective actions have influenced government decisions and support for renewable energy addressing sustainable development in the energy sector.

It can be assumed that the results of start-ups based on transformational mechanisms fundamentally depend on the successes that these start-ups strive for. The aspired successes significantly influence the vision, the business strategy and the products and services of the start-ups. Hereby, it seems particularly relevant whether the start-ups aim at positive contributions to solving environmental and social challenges (hybrid start-ups) or exclusively target the generation of economic value (non-hybrid start-ups) as further elaborated in the following section. Thus, this study focuses on start-ups and their stakeholders as individual actors on the micro-level and their aspired results on the meso-level (markets) and macro-level (society, environment). Thereby, in the following, the meso-level and macro-level are considered as *system level*.

2.2. Hybrid and Non-hybrid Start-ups

To address social and environmental challenges with entrepreneurial solutions new forms of organizations have emerged. These hybrid organizations strive for achieving social and environmental goals based on business models ranging between non-profit and for-profit [35]. A key challenge of hybrid organisations is to balance the financial, social and environmental values and accompanying conflicts as well as hybridity tensions bearing the risk of a mission drift [13,24,36]. Hereby, hybrid start-ups that have sustainability as part of their core business are key actors because they push towards “large-scale market success and societal change with environmental or societal innovations” ([32], p. 226). Following the multi-level-framework of Johnson & Schaltegger [16], on the one hand, hybrid start-ups have the potential to actively drive radical sustainable innovations, leading to the creation of new (sustainable) markets on a meso-level [6,14]. On the other hand, they target sustainability challenges and opportunities on a macro-level [31].

Hybrid organizations consider a viable business model and a successful commercial logic as a prerequisite for creating a positive sustainability impact [12]. As proposed by Haigh & Hoffman ([35], p. 1), hybrid organizations blur the boundary “by adopting social and environmental missions like non-profits, but generating income to accomplish their mission like for-profits”. In their theoretical analysis, Haigh & Hoffman [35] identified three main areas of differences between hybrid organizations and non-hybrid (traditional) organizations. According to this, non-hybrid organizations address social and environmental concerns only if they have surplus resources and if there’s a strong business case for doing so. Their relationships with stakeholders tend to be functional and transactional. They prioritize short-term growth and may not have sustainability-based values. In contrast, hybrid organizations are driven by a mission to promote positive social and environmental change as a core organizational objective. They actively cultivate mutually beneficial relationships with stakeholders and engage proactively with the market, competitors, and industry institutions. They tend to embrace sustainability-based organizational values, have longer time horizons for slower growth, and exhibit positive leadership qualities.

In this vein, Hahn & Ince [37] conducted a case study research on hybrid businesses and identified key characteristics and constituents of hybrid businesses with reference to the outcomes and organization of the hybrid business models as well as the underlying aims of entrepreneurs in founding hybrid businesses (Figure 1). In a nutshell, these characteristics include highly participatory, communicative organizational patterns, an emphasis on sustainability, and non-materialistic motives and orientations towards sustainability.

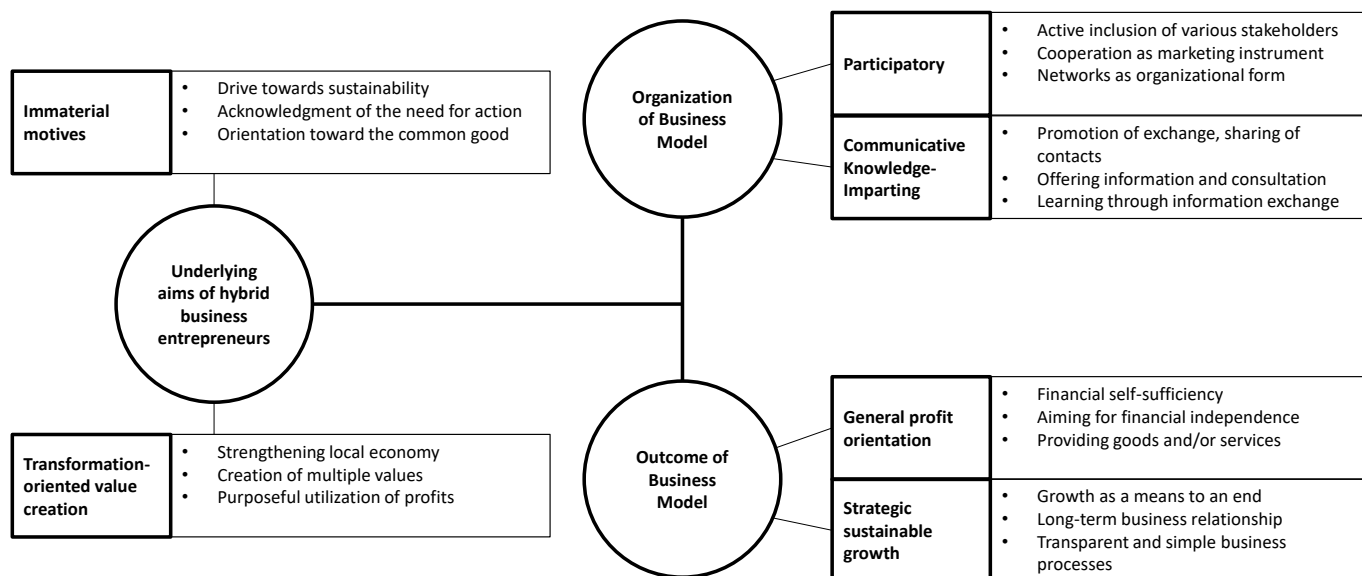


Figure 1. Dimensions of hybrid business entrepreneurship according to Hahn & Ince ([37], p. 45).

The study of Hahn & Ince [37] provides a valuable analysis of hybrid business in the context of business model research. However, it does not offer a specific start-up focus and a comparison of hybrid and non-hybrid businesses. According to Hahn & Ince [37], general profit orientation and strategic sustainable growth are key outcome categories of hybrid business models. Within these two outcome categories, the case study analysis presents valuable aspects where the present study ties in. In addition to Hahn & Ince [37], the present study adds a differentiated view of outcomes based on the exploration from a multi-level perspective of transformation research as previously described in Section 2.1.

2.3. Categorising Aspired Successes and Results of Start-ups

When it comes to categorising and structuring the aspired successes and related sustainability results of hybrid and non-hybrid start-ups against the background of a multi-level perspective, the IOOI-framework is a powerful approach to build on [15]. The inputs-activities-outputs-outcomes-impact (IOOI) framework is well-known in the context of social enterprises [24]. It describes the theory of change of social enterprises based on a cause-effect impact logic [38,39]. Originally, the IOOI-framework has been used in various contexts to evaluate and assess the planned and actual results of projects, programs or organizations [40–43]. Renko [44] states that the intended outcomes of prosocial-motivated entrepreneurs are closely related to the achievement of positive value for customers and other stakeholders as well as a positive change for society or the environment on a system level. A differentiation between results on the *stakeholder level* and *system level* is also part of the IOOI-framework of Kurz & Kubek [39] for social enterprises.

Transferred to the context of start-ups, *inputs* include human, financial and organizational resources of the start-ups like the founding team, initial capital and office infrastructure needed to undertake business activities. *Business activities* comprise all internal processes, technologies and actions that lead to the creation of *outputs* in the form of products and services offered to customers, beneficiaries and markets. *Outcomes* represent results on the level of stakeholders for example changes in behaviour and knowledge of customers or other stakeholders. *Impact*, in turn, stands for results on the levels of markets, society and environment. While Kurz & Kubek [39] subsume systemic impact under the term social impact, the author decided to differentiate the impact on the system level more precisely and to distinguish between systemic impact on markets and systemic impact on society and the environment. The differentiation between results on the stakeholder level and the system level serves as a basis for the interviews conducted in the case studies and helps to structure and categorize the aspired successes and related transformative results against the background of a multi-level perspective (Figure 2).

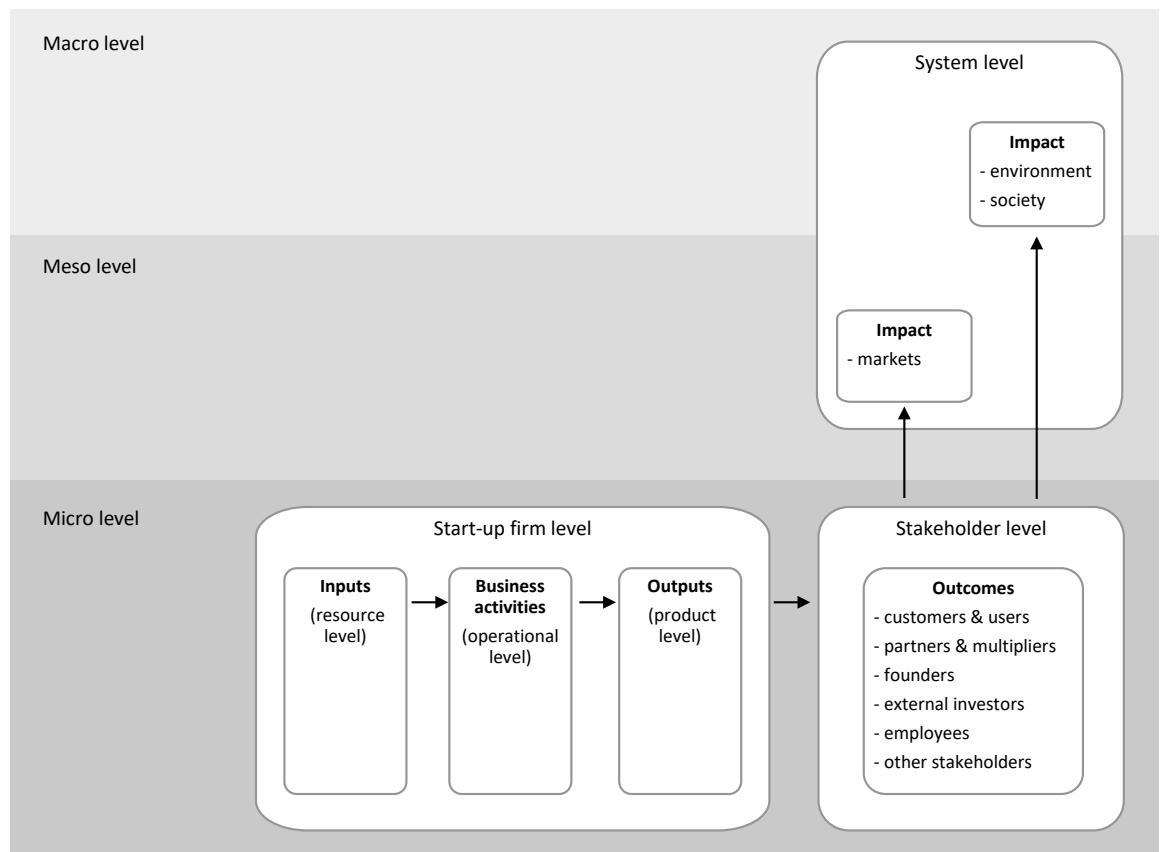


Figure 2. Multi-level framework for analysing the aspired successes and related intended results of hybrid and non-hybrid start-ups.

Summarising, this study addresses the following research questions: *What successes and results do hybrid and non-hybrid start-ups strive for? How do they differ and how can they be classified against the background of a multi-level perspective?* Placing the aspired successes of hybrid and non-hybrid start-ups in the context of transformational mechanisms and a multi-level perspective provides new insights at the nexus of sustainable and transformative entrepreneurship research.

3. Methodology

3.1. Method and Case Selection

A qualitative, multi-case study approach has been chosen to address the exploratory nature of the guiding research questions mentioned at the end of Section 2. This method serves for theory development and captures a complex phenomenon in its depth and breadth within its specific context [45,46]. As the topic of this study is relatively unexplored the multi-case study approach provides a broader context to develop a more comprehensive understanding of the context and to generate hypotheses for further investigation. Derived from the presented research questions, the general unit of analysis was various hybrid and non-hybrid start-ups with their respective aspired successes and intended impacts on a firm level [46].

The start-up cases were selected within a structured process by applying different selection criteria to guarantee heterogeneity in the sample as well as considering field access and project constraints. First, the geographical scope focused on Germany to consider the scope of the underlying research project and building on a homogenous start-up support system. Second, the products and services of the start-ups had to be innovative in terms of being novel in their industry or market. Third, the start-ups should already have received at least one public funding for which the application process required them to reflect on their aspired business goals. Finally, they should not be older than six years to ensure that they still have a good memory of the early days of the start-up. Regarding heterogeneity, the sample considered diversity regarding regions, sectors and business models. In total, the sample included six hybrid start-ups and six non-hybrid start-ups (Table 1). The data was collected during a research project on sustainable entrepreneurs and their impact creation foci. The sampling followed a broad understanding of hybrid start-ups that reads as follows: Innovative young ventures with products and services that create positive

sustainability impact based on a viable business model and a commercial logic that sustains their operations.

Table 1. Overview of cases.

#	Description of the Start-ups Overall Approach	Founding Year	Main Customer Focus	Main Product or Service	Type of Start-up
1	Provides educational programs on horticulture and nutrition	2014	B2B B2G	Training courses	Hybrid
2	Improves the collection of sustainability data in supply chains	2017	B2B	Cloud platform	Hybrid
3	Develops infrastructure for a circular textile industry	2018	B2B	Data, Training courses	Hybrid
4	Develops innovative agricultural treatments to reduce the use of pesticides and fertilizer	2017	B2B	Coated Seeds	Hybrid
5	Builds networks and support for microfinance institutions	2020	B2B	E-learning tools, Network platform	Hybrid
6	Improves charging efficiency of electric vehicles	2018	B2B	Fleet charging software	Hybrid
7	Improves the process analytics of companies	2018	B2B	Sensors	Non-hybrid
8	Provides digital language learning tools	2019	B2C	E-learning tools	Non-hybrid
9	Supports the development of motoric abilities of infants	2019	B2C	Medical supporting tool	Non-hybrid
10	Improves telephone service using artificial intelligence	2015	B2B	Smart assistance software	Non-hybrid
11	Digitalizes the transport logistics of the construction industry	2019	B2B	Logistics software	Non-hybrid
12	Provides guidance for a simplified data analysis in companies	2020	B2B	Data analysis software	Non-hybrid

3.2. Data Collection and Analysis

The interviews were conducted with the founders of the start-ups to gain deep insights into the aspired successes and intended impact of the start-ups [47]. Due to the limited resources of the start-ups, only one interview per start-up could be conducted. The interviews took place between January and April 2020. Overall, the data from the 12 cases accounted for 379 minutes. The average length of each interview was 31 minutes (between 20 and 45 minutes per interview). Open questions were placed to encourage the interview partners to give information-rich statements (Appendix). The interviews were transcribed in the original language (German).

MaxQDA was used for coding and qualitative content analysis of the interview data. Based on a combined deductive and inductive approach the coding category system was developed. In a first step, the conceptual research framework including guiding questions served to develop an initial code category system deductively resulting in primary (level 1) and secondary (level 2) code categories (Appendix). In the following pre-coding process, additional sub-code categories were developed inductively (level 3). To ensure objectivity and reliability in the coding process two researchers independently coded the same two interviews for pre-testing. With the aim to reach a high level of intercoder reliability, the results of the pre-coding were compared, discussed and further adjustments to the code system were made. Finally, the overall coding was done by one researcher based on the final code system to increase consistency and reduce variations.

4. Results

The framework presented in Section 2.3 serves to structure the analysis of the findings on aspired successes and related intended outcomes and impact on the stakeholder level and the system level. While this IOOI-based framework has been derived from the existing literature, the detailed view on how the two levels of outcomes on the stakeholder level and impact on the system level unfold in the context of this study is the result of an explorative, inductive approach and represents the final code category system as well as statements regarding stakeholder priorities.

4.1. Outcomes on Stakeholder Level

The interview partners were asked to mention the most important stakeholders for their start-ups. Table 2 provides an overview of the identified stakeholders and shows how often and at which position (relative importance) they were mentioned.

Table 2. Stakeholder categorization.

Position of Stakeholder	Hybrid Start-ups	Non-hybrid Start-ups
In first place	Customers (5 of 6) * Team (1 of 6)	Customers (4 of 6) Partners & multipliers (2 of 6)
In second place	Partners & multipliers (4 of 6) Political decision-makers (1 of 6) Society (1 of 6)	Partners & multipliers (1 of 6) Political decision-makers (1 of 6) Customers (1 of 6) Users (1 of 6) Research institutions (1 of 6)
In third place	Investors (1 of 6) Users (1 of 6) Society (1 of 6) Voluntaries (1 of 6)	Investors (2 of 6) Partners & multipliers (1 of 6) Political decision-makers (1 of 6) Coaches (1 of 6)
In fourth place	Employees (1 of 6) Research institutions (1 of 6)	Employees (3 of 6)

* 5 of 6 interview partners in the group of hybrid start-ups mentioned aspects in this category.

Derived from Table 2, the most frequently mentioned stakeholder groups are customers and users (incl. beneficiaries), partners and multipliers, external investors, and employees. In addition, the final code category system revealed the founders themselves as important stakeholders considered by the interview partners when reflecting on aspired successes.

Customers and Users

An interesting similarity between hybrid and non-hybrid start-ups is that both refer to customers and users as primary stakeholders. However, the analysis reveals clear differences in the intended outcomes and underlying objectives that hybrid and non-hybrid start-ups assign to their customers and users.

For non-hybrid start-ups, customers and users are key players for market success who need to be convinced by the product. Non-hybrid start-up #12 aspires to develop a product that customers really like, and which overcomes their problem of dealing with statistics and data analysis.

“It’s really only about making the product better. That is, so to speak, what we define as success. [...] It is certainly the most important thing to create a product that customers simply like or love.” (non-hybrid start-up #12)

Non-hybrid start-up #10 intends to improve the accessibility of their customers by automated telephone services. They want to offer a problem-solving solution that fulfils customer and user needs.

By contrast, hybrid start-ups perceive their customers as key players who can make a significant contribution to solving sustainability challenges through their behaviour and decisions. Thus, hybrid start-ups aim at empowering and enabling their customers to act more sustainably or to meet sustainability goals. For example, hybrid start-up #3 deals with multiple customers along the value chain of the fashion industry. With their consultancy service and their digital product, they want to enable their customers to design, produce and recycle fashion in a circular and sustainable way.

“For us, success is when we achieve the purpose, and the purpose is that we support the fashion industry to introduce a resource-efficient circular economy. And to implement it.” (Cofounder, hybrid start-up #3)

Start-up #1 strives for changes in the consciousness and behaviour of their target group and supports this with education and training. The underlying objective is to increase the appreciation of nature and food among children and those around them.

Furthermore, the analysis shows that it is a great success for hybrid start-ups if they establish trustful and close cooperation with relevant customer and user groups, e.g., in the context of product development and testing. This helps them to convince customers that their sustainable product solutions represent a win-win alternative which do not require customers to reduce quality requirements or yield and for which it is worthwhile to change existing production methods and working practices. Hybrid start-up #6 aims at offering its customers solutions for combining cost-efficiency with sustainability goals based on the optimization of vehicle fleets for electric cars. Thereby the underlying objective is to enable sustainable mobility. Hybrid start-up #4 strives for ensuring previous agricultural yields for their customers while using new biological seeds.

Successfully reaching out to customers and users within non-sustainable value chains offers the opportunity for greater transformational social and environmental impact. Therefore, hybrid start-ups consider it a particular success if they can convince these actors to buy their sustainable products. However, the results show that there can be conflicts between the long-term vision of the company and short-term market success, for which pragmatic solutions must be found and active trade-off management is required, for example in the case of start-up #4. By focusing on corn, the cultivation of which as a monoculture also brings negative consequences for nature, hybrid start-up #4 accepts the trade-offs between conventional farmers as key customers and stakeholders, and the nature which should benefit from a bio-based product.

“We sell 95% to conventional farmers and 5% to organic farmers. [...] Accordingly, we bring a bio-based product to a conventional industry and thus, reduce the damage on biodiversity, soil fertility, etc. [...] However, what I don't like about it at the moment is that so far, we are working most with corn, which is certainly not the most sustainable crop in Germany. But that's why I'm talking about transition solutions [...], because with every hectare we sell, we reduce chemical use on that land.” (Cofounder, hybrid start-up #4)

Partners and Multipliers

Both, hybrid and non-hybrid start-ups consider strong partners and multipliers for network and sales as crucial to achieving aspired successes and intended impacts. The underlying objectives are similar with one exception.

Similarly, hybrid and non-hybrid start-ups expect to get market and customer access for improving product development and reaching potential lead users. For example, hybrid start-up #4 emphasises that market success depends above all on key people in client companies who trust them and are prepared to be pioneers in promoting and supporting new, more sustainable products internally. According to the hybrid start-ups #4 and #5 as well as the non-hybrid start-up #7 partners are important for product feedback and for initiating research projects and thus advancing product development. Additionally, hybrid start-up #4 and non-hybrid start-ups #9 and #12 pursue strong partnerships to improve customer access and drive marketing and sales.

However, hybrid start-ups that offer products and services for financially weak customers additionally expect to generate alternative revenues with the help of strong partnerships. Hybrid start-up #1 is an example of this. The start-up strives for long-term revenue models and partnerships with ministries, foundations, health insurance companies and corporates to compensate for the inclusion of public schools with children from financially weak families in their product offer. These alternative revenue sources help the start-ups to scale the total number of users and thus their social impact while ensuring financial sustainability.

Founders

The analysis indicates that the personal success of the founders and self-regarding values are much more important for non-hybrid start-ups than for hybrid start-ups. Although they were asked about successes related to their start-up, many interview partners of non-hybrid start-ups made statements on self-regarding, aspired successes. These include aiming for self-realization (start-up #7), personal flexibility and freedom (start-ups #7 and #12), a good work-life-balance (start-up #7) or other positive personal rewards (start-up #10).

Both, hybrid, and non-hybrid start-ups regard financial viability and profitability as essential intended successes. Regarding non-hybrid start-ups, underlying objectives are to be economically successful (start-ups #7, #8 and #10), to make a living (start-ups #9 and #12) and to be attractive to investors (start-up #11).

“Success means that we're profitable, that means that we are making a profit.” (Cofounder, non-hybrid start-up #8)

For hybrid start-ups financial viability and profitability are important to be on par with non-hybrid start-ups and to have a solid basis for achieving social and environmental impact goals. For hybrid start-up #5 it is a great success to compete on equal terms with non-hybrid start-ups. For hybrid start-up #6, a viable business model provides the necessary cash to meet social conditions and to be able to participate successfully in the market. Another hybrid start-up mentioned financial sustainability as a core intended success with the underlying objective to secure their social mission (start-up #3).

External Investors

According to the analysis, there are differences between hybrid and non-hybrid start-ups when it comes to the need and choice of external financing.

For non-hybrid start-ups, it seems normal to strive for the next round of financing and to accept external influence by investors. Thereby, non-hybrid start-up #11 sees a short-term success in ensuring the survival and success of the company on a basis which can be communicated to investors, and which secures the next financing round. Non-hybrid start-up #10 emphasises the importance of investors whose views influence the direction of the company.

For hybrid start-ups, finding and selecting the right investor seems more complex. As a basis to make it clear to investors whether they are suitable for them or not, hybrid start-up #4 is working internally on a description of its value system. Hybrid start-up #2 appreciates the fact that there are more and more investors who increasingly appreciate and understand the added value of social impact creation and do not just focus on rapid growth and profit making. The aspired success of hybrid start-ups #3 and #4 is to become financially independent as soon as possible. Start-up #3 wants to build a social enterprise that reinvests profits and waives the payment of huge bonuses. Start-up #4 does not aim to sell the company for multiple but wants to build a family business. Thereby, financial sustainability is the basis for long-term development.

“The position we hold in our industry is very central. That is why we have deliberately chosen a financing model without investors, so that we can make independent decisions for the good of the environment, society, and the industry.” (Cofounder, hybrid start-up #3)

The analysis reveals differences in the self-image of hybrid start-ups regarding the prioritization of impacts. Two of the hybrid start-ups (start-ups #1 and #3) describe themselves as social businesses and link this to achieving their primary purpose of generating environmental and social impact based on a viable business model that reinvests profits. Hereby, it seems that they weigh their sustainability impact goals higher than their economic goals. The other four hybrid start-ups (start-ups #2, #4, #5 and #6) see themselves as commercial or technology enterprises, explicitly distance themselves from the terms impact entrepreneur or social entrepreneur and/or consider their impact focus as a market position without subordinating their for-profit motives. These hybrid start-ups stress their profit orientation and do not want to be distinguished from non-hybrid start-ups in this respect.

Employees

There are no significant differences between hybrid and non-hybrid start-ups with regard to the employees. Intended outcomes vary widely which the following aspects show. For non-hybrid start-up #10 it is important that their employees enjoy coming to work and create something good with their work. Non-hybrid start-up #12 strives for a good working atmosphere. An essential recruitment criterion for hybrid start-up #2 is that each employee shares and pursues the overall vision of sustainable development. Hybrid start-up #3 aspires to pay fair salaries. Hybrid start-up #4 seeks to retain its long-term employees and to give everyone the opportunity for maximum personal development. Thereby, models such as employee participation in the company are taken into consideration. In this way, the team culture should be maintained and strengthened in a positive way.

4.2. Impact on System Level

Regarding the impact on the system level, the final code category system includes statements about markets, society and the environment.

Impact on Markets

The analysis reveals clear differences regarding the role of market impacts. While non-hybrid start-ups strive for market success (growth/scaling, increasing sales) without linking it to the creation of impact for society and the environment, securing and scaling the social and environmental impact is the main driver for the aspired market success of hybrid start-ups. Hybrid start-ups #1, #2 and #4 state that they want to increase the number of users or customers reached, the sales volume or the area under cultivation reached to increase or maximize their systemic impact regarding the appreciation of natural foods in society, the sustainability of industrial supply chains or the sustainability of agriculture and world food supply.

“Success means two things. One, that we achieve positive impact, that we achieve changes in supply chains and enable them to be designed more sustainable. And success of course also means, and this goes hand in hand, that we get more customers and generate more sales. Because without more customers, of course, we cannot achieve impact.” (Cofounder, hybrid start-up #2)

Impact on Society and Environment

Hybrid and non-hybrid start-ups differ fundamentally when it comes to the relevance of creating social and environmental impact. Creating positive transformative results for society and the environment on the meso-level and macro-level is the driver and main aspired success of hybrid start-ups.

“Yes, I believe that if we were losing impact or stop moving forward, we would have no motivation to continue this.” (Cofounder, hybrid start-up #4)

“[The social purpose] is basically the lighthouse for the whole company. And the lighthouse to guide every decision.” (Cofounder, hybrid start-up #3)

The system level aspirations mainly address the meso-level in terms of transforming existing industry standards. Aspects mentioned by hybrid start-ups consider the support of unsustainable industries and their value chains to become more sustainable, e.g., helping the fashion industry to implement a resource-efficient circular economy model (start-up #3), bringing transparency to supply chains of producing industries by digital platform solutions (start-up #2), replacing agrochemicals with biological alternatives in the agricultural industry (start-up #4) or increasing the appreciation of nature and food in society (start-up #1).

Hybrid start-up #5 sees a further part of their intended successes in invitations to expert groups to discuss and spread new ideas and developments in their sector. In this vein, hybrid start-up #4 likes to contribute to an overall system change. Thus, the founders support education and awareness raising to promote more sustainable practices and engage politically to change existing policy frameworks. This type of collective action supports the transformational mechanisms described in Section 2.1 potentially leading to systemic impact on meso-level and macro-level.

“(…) first there is the business enterprise […] in which we sell products […] and then there is also the educational mission and systemic change in which we want to participate, including political engagement in the legislative process, etc.” (Cofounder, hybrid start-up #4)

In contrast, non-hybrid start-ups made no reference to the intended impact on society or the environment on a system level. Upon request, non-hybrid start-ups refer to environmental or social aspects as secondary effects (start-ups #8, #9, #10 and #11) or as an additional selling point for their products (start-up #7).

“And of course, there are also secondary effects: by making better use of the trucks, we reduce the CO₂ footprint, noise pollution, etc.” (Cofounder, non-hybrid start-up #11)

4.3. Summary of the Results and Key Findings

It turns out that there are significant differences on the stakeholder level as well as on the system level in terms of the aspired successes and related intended results that hybrid and non-hybrid start-ups strive for with their entrepreneurial activities (Table 3). Thereby, the fundamental difference that hybrid start-ups strive for a positive system change has implications for all levels and stakeholders. Generally, hybrid start-ups are subject to a different interplay of market successes and social as well as environmental impact creation. This affects the stakeholder level where the main differences between hybrid and non-hybrid start-ups address the view on customers and users and the modes of cooperation. Also, the personal successes of the founders and the role of financial successes are subject to different aspirations.

Table 3. Differences and similarities regarding aspired successes of non-hybrid and hybrid start-ups.

Aspired Successes	Non-hybrid Start-ups	Hybrid Start-ups
Stakeholder Level		
Customer-related success	Identifying and satisfying the needs of customers and users plays a significant role	Empowering customers and users to act more sustainable is a main aspired success
Cooperation with customers and users	Important for developing products that meet a customer's need or solve a customer's problem	Important for developing competitive sustainable product and service alternatives for which customers and users change existing production methods
Trade-off management	No significant trade-offs between corporate vision and customer needs	More often trade-offs between long-term corporate vision and short-term market success
Cooperation with partners and multipliers	Relevant for market and customer access	Relevant for market and customer access as well as for generating alternative revenues
Personal success of the founders	Achieving personal success and fulfilling self-regarding values are important	Achieving personal success and fulfilling self-regarding values don't seem so important
Financial viability and profitability	Important to make a living, to create economic impact and to be attractive to investors	Important to create social and environmental impact and to be on par with non-hybrid start-ups
External financing	Cooperation with external investors and giving up financial and strategic independence for external financing is part of the success	Cooperation with external investors must not weaken the impact goals and the financial as well as strategic independence significantly
System Level		
Impact on markets	Market success and impact is important	Market success and impact is important to scale social and environmental impact
Impact on society and environment	Creating a positive impact on society and the environment is a welcome side effect or at most a secondary condition	Creating a positive impact on society and the environment is the main driver and main aspired success

5. Discussion and Conclusion

This study followed the research questions of whether and how the aspired successes and related intended results of hybrid start-ups differ from those of non-hybrid start-ups and how these results can be classified against the background of a multi-level perspective. The empirical findings were assigned to two main levels. On the one hand, the aspired successes refer to results on the level of stakeholders (outcomes) and on the other hand to results on the system level (impact) (Figure 2). The findings show similarities and differences between hybrid and non-hybrid start-ups (Table 3). In the next section, the specific findings on each level and related theoretical implications are discussed.

5.1. Theoretical Implications

The empirical findings on the stakeholder level regarding customers and users indicate that hybrid start-ups are at least as customer-oriented as non-hybrid start-ups and aim at achieving their aspired outcomes and impact by successfully selling their products and services. Hence, customer acquisition is equally important to both startup archetypes, but there is a difference in why it is considered important. In non-hybrid start-ups, customers and users are only crucial for market success. Hybrid startups, in addition, engage customers in solving sustainability challenges. It became apparent in the case study interviews that products and services which serve the aim to create social and environmental impact, are more likely to request a change in action on the part of customers and users regarding existing unsustainable practices or behaviours. In this vein, Hahn & Ince [37] found out that transformation-oriented value creation provides the base for entrepreneurs to start a hybrid business. This goes hand in hand with the finding that the products and services of hybrid start-ups more often contain a component that involves the empowerment of customers and users. Within the process of empowerment, customers move from “passive receivers to active participants in the creation and delivery of services” ([48], p. 1014). According to Auh et al. [48], customer empowerment influences how customers perceive their value and impact. For sustainable products and services, this means that through active participation in product development activities, they have the possibility to contribute actively to the sustainable product vision and the ambition to create social and environmental impact. Within their quantitative empirical study, Auh et al. [48] found out that this kind of customer empowerment positively influences the profitability and customer retention of businesses.

In the same vein, the findings show that hybrid start-ups strive to be close to their customers by creating networks and long-term relationships, integrating them into product development activities and/or empowering them to implement more sustainable practices. This underlines the findings of Hahn & Ince [37] who highlight the strong desire of hybrid businesses to communicate and exchange information with customers about sustainable products and general sustainability issues. Research on customer participation and centrality highlights that a strong relationship commitment to customers as well as customer empowerment are important success factors in the creation of competitive advantages [49,50]. Hence, it can be hypothesised that the strong need for customer empowerment is an important factor for hybrid start-ups for being successful in the markets.

Furthermore, the findings regarding partners and multipliers reveal that non-hybrid and hybrid start-ups strive for strong partnerships to enter relevant markets and reach customers and users. While non-hybrid start-ups focus on increasing sales through more customers, scaling social and environmental impact plays an additional important role for hybrid start-ups. This is in line with Haigh & Hoffman [35] who assume that hybrid organizations do focus their relationships with customers, employees and suppliers on mutual benefits in a sense of reaching sustainability goals and profitability (Section 2.2).

Another interesting finding from the explorative case studies refers to aspired successes towards external investors. In the cases of hybrid start-ups, it became apparent that they question critically the strategic fit regarding common sustainability goals and interests when searching for investors. This is in line with Achleitner et al. [51] who emphasise that especially social start-ups address the challenge that changes in their financing structure could affect their social business strategy as well as their entrepreneurial control and flexibility. Thus, in comparison to the non-hybrid start-ups, hybrid start-ups pursue more frequently aspects like financial autonomy, independence, and long-term perspectives in their financing strategy. However, the ambition to build a company with a long-term perspective and high social and environmental returns collides with the desire of many traditional investors for quick-wins and high financial returns [52,53]. These trade-off conflicts bear the risk of increased agency costs [51] and a mission-drift due to prioritising financial over social performance [24]. Nevertheless, there are more and more investors who look for long-term, sustainable investment opportunities combining social and financial return expectations which provide hybrid start-ups with more suitable financing options leading to lower conflicts of interest. On the other hand, there are different approaches of organizational governance navigating potential trade-offs and helping to align the interests of multiple key stakeholders [24]. For example, in the case of social enterprises, Ebrahim et al. [24] distinguish between integrated and differentiated hybrids and recommend to establish mechanisms such as direct representation and indirect voice that ensure downward accountability strengthening the position of the target beneficiaries of the social impact. The conscious selection of investors described above can be highly relevant for the indirect-voice-mechanism. If the desired social or environmental impact of investors is aligned with the hybrids' mission by representing the beneficiaries' interests, there is a greater chance of avoiding trade-offs and mission drifts.

The case study results show that hybrid start-ups take financial viability and profitability very seriously as a necessary and unavoidable basis for their business activities. Nevertheless, it serves them as a means to an end to achieve their social and environmental impact goals while being competitive. This is contrary to Haigh & Hoffman [35], who argue that hybrid organizations consider the generation of profits to be of secondary importance (Section 2.2). This study suggests that for hybrid start-ups generating profits and scaling up is at least as important, if not more important, as the sustainability case because it provides the basis for creating social and environmental impact. This is in line with the case study results of Tykkyläinen et al. [54] which underline the growth and scaling up intentions on the firm level of Finnish social entrepreneurs.

As described in Section 4.1, founders of non-hybrid start-ups have often mixed their individual success goals with those of the start-up. This could imply that the aspired successes of non-hybrid start-ups revolve more around the personality of the founders and self-regarding values. On the contrary, the hybrid start-ups seem to focus more on supporting or helping their customers or users. Research on sustainability orientation assumes that the cause for hybrid entrepreneurial actions on the firm level is based on the values, orientations, and beliefs of the individual entrepreneurs [55]. According to this, start-ups founded by entrepreneurs with other-regarding values are more likely to pursue a positive sustainability impact with their business activities as they consider to balance the larger societal and environmental ecosystem around them [55]. This

could also explain why impact-oriented start-ups seem to be more willing to support collective action to transform their industry, for example by participating in policy discussions.

In the aspired success to create systemic transformational impact for society and the environment lies the main difference between the non-hybrid and hybrid start-ups interviewed. One construct that has attracted increasing attention in sustainable entrepreneurship research is sustainable entrepreneurial orientation. The third-order construct of Criado-Gomis et al. [56] refers to a sustainable entrepreneurial orientation on a firm level as a business strategic orientation rooted in the organizational culture and reflecting values of sustainable development in business philosophy. According to the construct, sustainable entrepreneurial orientation is a dynamic capability which enables an organization to be successful on the market and at the same time to achieve a positive impact on society and the environment. The results regarding intended successes on a system level (markets, society, environment) suggest that hybrid start-ups are as market-oriented and growth-oriented as non-hybrid start-ups with the underlying objective of scaling environmental and social impact on a system level.

Based on the discussion the following hypotheses for future empirical large-scale studies can be formulated:

1. Hybrid start-ups are at least as customer-oriented as non-hybrid start-ups.
2. Hybrid start-ups request more frequently a change in action on the part of customers and users regarding existing unsustainable practices or behaviours than non-hybrid start-ups.
3. Hybrid start-ups focus on empowering their customers while non-hybrid start-ups focus on satisfying customer needs. Thereby, the empowerment of customers could mean a long-term competitive advantage for hybrid start-ups.
4. Hybrid start-ups tend to focus more on other-regarding values than on self-regarding values and engage more in collective action.
5. Hybrid start-ups pursue more financial autonomy, independence, and long-term perspectives in their financing strategy than non-hybrid start-ups.
6. Hybrid start-ups are as market-oriented and growth-oriented as non-hybrid start-ups if they thereby contribute to higher environmental and social impact on a system level.

5.2. Managerial Implications

The case study results provide valuable insights for actors in the start-up ecosystem as well as start-up founders.

The findings of this study present the stakeholder level and the system level as two dimensions in which sustainability outcomes and impact can be created. The categorization outlines a differentiated picture of different areas of social and environmental impact and makes it clearer how impact differs. This makes it easier for third parties to assess the nature of sustainability impact, for example regarding their systemic transformation potential. Thus, third parties are advised to consider both levels and their dimensions when assessing the sustainability impact of start-ups. This is also taken up in practical approaches such as the Impact Management Project [57] or the DIN SPEC 90051-1 [58].

For managers and start-up founders, the findings serve as an inspiration to challenge their status-quo and current strategic focus. Considering potential outcomes and impact of the start-up on stakeholder level and system level means to think about the chances and risks of their value proposition and business model. Thus, non-hybrid and hybrid founders are advised to foster best-practice exchanges across their domains.

Furthermore, the results demonstrate that hybrid start-ups strive for scaling and market success in the same way as non-hybrid start-ups. Scaling ambitions are linked to the achievement of positive systemic impact and therefore business models are designed for the long term. When deciding about early-stage investments or the allocation of public funds for the support of start-ups, public and private investors are advised to take a closer look at these hybrid business models as they aim at solving current sustainability challenges. If the business model provides a convincing approach to generate impact and profit and to overcome hybridity tensions and trade-offs, market success is likely. In the case of an investment, potential financial returns might be lower in the short term but more stable in the long term in comparison to investments in non-hybrid start-up business models.

5.3. Limitations and Future Research Opportunities

This study helps to better understand the aspired successes and related results of hybrid start-ups in comparison to non-hybrid start-ups. However, the research approach has limitations. The results are limited to twelve start-up case studies and the same number of interviews. For such a young research topic a qualitative explorative case study approach is recommended to start a research process of theory-building [46]. Nevertheless, more qualitative and quantitative research would be needed to verify and generalise the results and to further break down the research field, following the example of Giones et al. [13].

Future research could focus on empirically testing the six hypotheses presented at the end of Section 5.1. For example, to explore the role of customer empowerment regarding product and market success of hybrid start-ups would enhance the perspective on the connection of product development processes and their potential to create competitive advantages and long-term customer loyalty.

Apart from the six hypotheses, future research on the following aspects seems highly interesting. Firstly, the study reveals that hybrid start-ups need external financing options that meet their aspirations for achieving impacts on a system level. Thereby, investors demand a strong business case combined with the creation of positive social and/or environmental impact [53]. Bocken [53] found out that innovation in the business model is a key enabler to guarantee the integrated generation of profit and impact. Thus, there lies a great potential in sustainable business model research to elaborate on business model innovations which help hybrid start-ups to overcome hybridity tensions and to create high profits and high social and/or environmental impact [36,53]. This is in line with Fichter et al. [15] emphasising that the sustainability impact of new ventures is closely tied to the development and evolution of their business models.

Secondly, in the case of start-ups, the personalities of the founders and the founding team profile have a great influence on the company's business strategy and performance [59,60]. A classification of young, hybrid organizations therefore would benefit from the integration of entrepreneurial intention, motivation and orientation research referring to the personal dispositions of hybrid start-up entrepreneurs.

Thirdly, non-hybrid start-ups do not strive for impact creation on social and environmental system level and have less abstract target dimensions. Hybrid start-ups pursue a broader vision. Their scope is wider, including a systemic focus. Criado-Gomis et al. [56] define sustainable entrepreneurial orientation as a high-order dynamic capability and conclude that it enables organizations to deal with market uncertainties and strengthens organizational problem-solving capacities. Thus, it would be very interesting to investigate whether hybrid start-ups react differently to systemic crises and whether they demonstrate a higher degree of resilience than non-hybrid start-ups.

Finally, this study suggests that hybrid start-ups are ambitious in supporting collective action initiatives to address social and environmental challenges and achieve system level impact. However, research is needed to examine how successful these initiatives ultimately are and under which conditions they achieve or fail to create system level impact in the medium- or long-term.

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Data Availability

The datasets generated and analysed during the current study are not publicly available for reasons of confidentiality but are available from the author on reasonable request.

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Conflicts of Interest

The author has no conflict of interest to declare.

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Appendix A

Interview Questions

1. Related to your start-up, what does success mean to you?
2. Related to your start-up, what are the relevant categories of success for you? In which dimensions do you want to be successful?
3. Related to your start-up, which stakeholders are most important to you?
4. Related to your start-up, what role do economic successes play for you? What impact would you like to achieve on the market?
5. Related to your start-up, what role do the environment and society play for you? Are there any distinctions between the two areas?
6. Have your ideas of success and impact changed since the foundation of the start-up?

Code Structure

Table A1. Applied code structure.

Level 1	Level 2	Level 3
Deductive	Deductive	Deductive/Inductive
Characteristics of start-up	Founding year	
	Founding team	
	Founding intension/motivation (before foundation)	
	Start-up support/early-stage financing	Public support Other sources of funding
	Business model/products and services	
Success aspirations/expectations of start-up	System level	Markets
		Environment
	Stakeholder level	Society
		Customers and users
		Employees
		Founders
External investors		
Other stakeholders		
	Other	