Venture Technological Innovation, Social Value and Economic Value: The Influence of Customer-Beneficiary Alignment

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Abstract--**The technological innovation literature has widely considered the process and outcomes of market driven firms. However, research on the innovation process and outcomes of socially driven firms, particularly socio-technological entrepreneurial ventures, is very limited. In particular, the influence of the alignment of customer versus beneficiary needs has not been addressed within this literature yet is an important consideration for socio-technological venture development and subsequent innovation impact. As a result, in this paper we present a conceptual model explaining how technological innovation impact is influenced by venture orientation, organizational structure, and customer/beneficiary alignment. Unlike a market oriented venture that typically selects a for-profit structure, a socially oriented venture may select from a choice of for-profit, nonprofit, or hybrid structures, influenced by founder experience. We also posit that customer-beneficiary alignment can influence the relationship between structure and innovation impact. When customer and beneficiary preferences are less aligned, a non-profit structure offers the greatest innovation impact for social value with minimal impact on economic value while a hybrid structure offers greater innovation impact for both social and economic value and a for-profit structure offers greater impact for economic value. However, when customer and beneficiary preferences are more aligned, a for-profit structure offers the greatest innovation impact for both social and economic value.**

I. INTRODUCTION

The extant technology innovation literature has widely and deeply discussed the innovation process and outcomes of market driven, for-profit firms. In fact, the bulk of this research has been in the context of larger, established and profitable firms. While technological innovation is a complex process that continues to be a relevant research topic today, the innovation process of entrepreneurial ventures, particularly socio-technological ventures, is much less understood. This is a particularly important research topic given that an increasing number of technology ventures founded today have a social orientation and span both the for-profit, hybrid, and nonprofit worlds. Technology venture innovation research that lacks considerations relevant to socially orientated ventures limits our understanding of how these ventures develop, innovate, and can be best supported to maximize their social impact.

Of particular interest, is consideration of customer and beneficiary needs. While customer needs have been widely considered in the innovation literature, beneficiary needs is a new consideration that is worthy of research. In particular, consideration of the alignment of customer and beneficiary needs is lacking within the technological innovation and entrepreneurship literature but is an important dynamic for socio-technological venture development and innovation impact has firms seek to balance economic and social value. As a result, in this paper we present a conceptual model that helps in understanding how the orientation (market and social) of a venture influences organizational structure and how alignment of customer and beneficiary needs influences the relationship between structure and innovation impact in terms of economic and social value. We are driven by the research questions: How does the innovation process compare and contrast among market and socially driven ventures? How do beneficiary needs influence this process when aligned or misaligned with customer needs? How can these socio-technology ventures maximize their innovation impact through economic and social value?

In the paper below, we frame our discussion of the innovation process of these technology ventures from a *dimensions of innovation* framework. We follow with a conceptual model, hypotheses development and conclusions/implications.

II. LITERATURE REVIEW

Technological innovation is a complex topic that can be understood from multiple perspectives drawing from areas such as sociology, economics, technology [35], strategic management [19][79] and various technological and scientific disciplines [47]. While not necessarily mutually exclusive, these various perspectives offer valuable descriptive power that can influence a host of entrepreneurial and management decisions such as innovation origination, integration processes, impact, and organizational structure. The ability to effectively develop and manage innovation not only influences firm competitiveness and profitability but can also result in larger societal benefits such as job creation, economic growth, and improved quality of life and standard of living [36]. It should also be noted that while the majority of the innovation literature has taken a pro-innovation stance and that many innovations have been found more often to offer greater benefits than consequences, negative externalities of innovations do exist [1][45][82] but are not the focus of this study.

Dimensions of Technological Innovation. The dimensions of innovation serves as an effective framework to better understand the area of technological innovation and the interdependencies among venture orientation, organizational

structure, and innovation impact. While an innovation perspective has been established as a valuable perspective to understanding the process that contributes to firm competitiveness and profitability [36] social innovation is also a best construct to understanding the mechanisms of the social change process that spans the public, private, and nonprofit sectors [70]. Thus, taking an innovation perspective enables a broader consideration of innovation impact across sectors. The dimensions of innovation can be categorized into *innovation process*, *levels of analysis*, and the *types of innovations* [35] of which each is discussed below.

Innovation Process. The innovation process involves complex systems [47] that can be broadly described as either generated or adopted [35]. The generation of innovation consists of the relevant decision making and problem solving that occurs across various stages of development and often involves research and development (R&D) investments. These stages are broadly defined in terms of fuzzy front end, development, and implementation and consist of activities that can be linear, convergent, parallel, and/or divergent as part of a complex iterative process [2][46][49][76][78]. The success of the technological innovation generation process is the ability to effectively exploit the innovation to achieve established performance goals, effectively linking technological feasibility to exploitation. It is important to note that performance goals are often unique to organizations and innovations that can include both economic and social goals.

Of particular challenge, that is also the least understood, is the management of the fuzzy front end (FFE) of the innovation generation process [49]. This front end of innovation is distinct in language and process from the more structured new product development process in terms of the nature of the work, certainty of commercialization and revenue, funding processes, types of activities, and progress management [48]. The New Concept Development (NCD) model introduced by Koen et. al. [48] discusses a host of activities and decisions that encompass the importance of leadership, culture, and strategy as central organizational drivers and the elements of opportunity identification, opportunity analysis, idea generation and enrichment, idea selection, and concept definition that are intertwined in an iterative fashion. This can result in a minimum viable product for initial market and vision testing as part of the lean startup process [14][74]. Successful management of the FFE involves a combination of specific yet interdisciplinary skills sets that include boundary spanning, gatekeeping, and project brokering [72], balancing divergent exploration with convergent analysis towards exploitation including the involvement of various stakeholders, awareness and articulation of current and emerging customer needs/values/expectations, understanding the forces that shape the acceptance and feasibility of new products/services, creation of a viable business model and structure, infrastructure development, and understanding strategic and competitive opportunities [26][63].

The adoption of an innovation is the usage of the innovation by others outside of the innovation generating organization including other firms and users. A firm can choose to generate and/or adopt an existing innovation to achieve sales and profits. The adoption process generally consists of two stages: initiation and implementation [76]. Initiation occurs prior to implementation and involves creating awareness and attitudes about an innovation and evaluation of the innovation prior to adoption [31]. The implementation stage is when an innovation is adopted that can include trial implementation with limited organizational usage and sustained implementation where the innovation is completely assimilated into the organization [96]. Product innovations are typically adopted at a greater rate and speed than process innovations [29].

The diffusion of innovation theory [76] relates to the spread of an innovation through groups of adopters (Innovators, Early Adopters, Early Majority, Late Majority, Laggards) that can vary by the innovation, individual decision makers, communication channels, time, and social systems. The early and late majority comprises the largest amount of adopters of an innovation resulting in the greatest user base. The diffusion of innovation can also be impeded by a chasm between the early adopter and early majority groups that must be managed effectively [62].

Research suggests that while some entrepreneurial ventures generate innovations, many are more likely to adopt existing innovations influenced by the founding team, environment, and risks. The innovation process can be influenced by the entrepreneurial venture founding team characteristics or institutional support provided [85]. Entrepreneurial ventures have a higher rate of adoption of innovations than the generation of innovations, particularly in environments of lower environmental dynamism [69]. Entrepreneurial ventures that pursue the generation of innovations have a reduced survival rate due to the liability of newness and smallness [43] in contrast to the economies of scale and scope benefits of larger firms [91]. Adoption of innovations for incremental adjustments and/or distributions to new markets, such as developing societies, allows entrepreneurial ventures to be profitable without the costs and time devoted to R&D [85].

Social innovation is the process of creating and implementing solutions to address societal needs and problems [64][70]. Innovation in this context is social both in its needs and means [42]. For social innovations, adoption or generation are both plausible options. The social innovation process requires the involvement of people and groups connected by common interests, goals, or agendas in a cohesive manner to address a societal challenge by engaging broad-based participation and collective action [7]. It is a complex phenomenon spanning boundaries of private, public, and civil society [55] and leads to social change [40]. Addressing societal need may require iterative processes of

adjustments to an innovation contingent on context such as culture and political systems [27].

Levels of Analysis. Technological innovation can be analyzed from the levels of the individual and teams (e.g. [5][58][92]), innovation (e.g. [6][76][89]), organization (e.g. [28][71][79]), industry (e.g. [57][87]), network (e.g. [24]), and society (e.g. [25]). Social innovation, specifically, may also be analyzed from various levels spanning various levels from individual leaders to local communities and the global society as a whole [15].

Of particular relevance to this study are the organizational, innovation, and societal levels of analysis. While our study focus is primarily on the organization, specifically entrepreneurial ventures, innovation and societal dynamics influence venture dynamics and subsequent innovation impact.

Organizational. Organizations must build effect strategies and management practices to allocate resources, adapt to environmental changes, create effective structures, and identify appropriate performance outcomes to effectively diffuse their technological innovation and generate greatest impact [19][79][90]. For entrepreneurial ventures, two key and related organizational considerations made very early in the life of the venture but have lasting implications are *structure* and *strategic orientation*. A key structural decision, that subsequently impacts business and funding models, involves whether to establish the venture as a for-profit, nonprofit, or hybrid form [23]. The fundamental differences among these structures are legal implications, financing, customers vs. beneficiaries, and organizational culture [11].

A for-profit structure is able to assume debt, attracts investors in exchange for equity, focuses on shareholder value, earns taxable profits, distributes returns to investors, is focused on customers, and has a competitive market oriented culture [11]. A nonprofit uses a funding model that seeks money from philanthropists, foundations, grant agencies, and corporations in exchange for a social return on the money donated [23][33], is predominately tax-exempt, is social beneficiary oriented, and has a culture of creating social value [11]. A hybrid form is an increasingly popular structural form that seeks to blend the for-profit and nonprofit models in varying ways that allows drawing from all sources of financial capital that permits a focus on securing investors, leveraging core competencies, sales to customers, and generating profits and grants and distribution of their innovations to needy beneficiaries. An integrated hybrid model facilitates the creation of social value and commercial revenue through a unified strategy where profits gained can support the social mission [11] but the social goal is primary and the financial returns offer a means to this end [54]. Venture philanthropy is a newer innovative model associated with hybrid forms to fund social ventures to create social value while also facilitating sustainable operations using venture capitalist strategies such as professional management skills, funding assessments, capacity building, establishing clear objectives, and developing metrics for enhancing long term performance and success as well as the creation of exit strategies [8][75][86].

However, the structural decision is not a short-term nor trivial decision and can impact the trajectory of a venture well into the future, and, thus, is an important early decision for ventures. Organizational structure not only solidifies the legal status of the venture but also influences financial sources, organizational culture, and the focus on customers and/or beneficiaries. All of these become intertwined over time and can create significant switching costs for a venture that reduces the ability to make significant organizational structural changes in the future. For example, for a for-profit venture competing in a nascent field with an ill-defined industry structure, ambiguous product definitions and pricing, and lack of dominant logic, which are common circumstances when introducing radical innovations [79], success is gained by shaping boundaries and market construction via claiming, demarcating, controlling the market [77], and developing new business systems in a market driving approach [51]. In addition, a market oriented firm seeking profits via meeting customer needs enacts a firm wide pervasive set of activities towards profitability [81] and, for an increasing number of new ventures that are "born global" in the early stages of the venture life cycle, international expansion via alliances and contracts also further entrenches their learning and for-profit business model [95]. In contrast, nonprofit ventures must balance donor value with beneficiary needs in a funding model with nonprofit leaders being primarily focused on creating programs for beneficiaries and then subsequently matching these programs and impact to donor value, although often struggling to find this match [33]. The design and structure of an organization must match strategy to effectively reach intended objectives [18][22][38]. Regardless of their goals, all ventures require a sound strategy across all stages of product development and firm life cycles to capture intended value [4].

Hybrid structures offer the greatest opportunity to balance social and market needs through a unified structure and strategy but are also a challenge to effectively manage. Institutional voids may also exist further compounding challenges [60]. For example, a supportive ecosystem to integrate social and market activities may not exist, legal recognition remains a challenge in some locales, financing can vary across structures, pricing of goods and services can be a challenge across customer and beneficiary groups, creating a balanced organizational structure can be difficult, and finding employees with a shared social and market vision is rare [11]. Hybrid structures are currently evolving. Those allowable within the USA include the L3C, Benefit Corporation and the Flexible Purpose Corporation [11]. The L3C (Low-Profit Limited Liability Company) structure, a variation of the LLC, is legal in a handful of US states such as Illinois, Kansas, Louisiana, Maine, Michigan, North Dakota, Rhode Island, Utah, Vermont, and Wyoming with legislation pending for additional states. The L3C is a for-profit structural form that pays taxes on profits and cannot

receive traditional grants or tax-deductible charitable contributions but can receive private foundation support, government funding, and traditional investment capital [41]. The Benefit Corporation is also a for-profit structure model, legal in approximately 30 U.S. states, that enables a positive impact on society as well as profits as per legally defined goals but is taxed similar to a C Corporation. The Flexible Purpose Corporation is also a for-profit structure that requires boards and management to agree upon social and environmental purposes creating at least one unique purpose within its charter and protects board and management liability from shareholder value conflicts [59]. Alternatively, many ventures may elect to create two separate legal entities, a for-profit and a nonprofit, that separately achieve market and social goals as an another hybrid model in an effort to achieve desired market and social objectives [11].

The strategic orientation of a firm reflects the strategic direction, resources, and activities invested by a firm to achieve sustainable advantage and above average returns [79]. From a technological innovation perspective of entrepreneurial ventures, the literature has identified two primary types of organizational strategic orientations: *market* and *technology.* While there initially may be a technological orientation within a firm, where innovation is driven by R&D in a technology push process, the evolution to a market orientation for innovation is necessary for commercialization or exploitation. To sustain technological innovation and firm profitability over time, firms often hold two "gauntlets"-technology development and market commercialization that require independent yet integrated exploration and exploitation activities through ambidextrous management to achieve the development of new inventions that ultimately must meet buyer needs [47][68]. However, entrepreneurial ventures tend to be less technology R&D intensive with a limited array of product/services and can delay venture launch and commercialization if they are R&D intensive as a call option for prospective earnings [17].

A market orientation is not specific to the marketing functions within a firm but pervasive throughout the firm. A market orientation is a customer focused, market pull process, via a multi-functional, pervasive, firm-wide philosophy, culture, set of behaviors, and set of activities seeking to influence and meet the variety of buyer expectations [50][65][81]. Specifically, this involves permeating information regarding buyer influences through every firm function and developing innovations to meet buyer expectations. Firm strategic and tactical decisions are made both interfunctionally and, as relevant, interdivisionally to ensure conflicting objectives are reconciled in the process, and the coordination and execution of decisions are made with a sense of commitment [81].

What is essentially absent in the technological innovation literature is social orientation with social benefit often seen as a byproduct or added benefit of market focused activities. Similar to a marketing orientation, a social orientation may also be pervasive throughout a firm. A socially orientated firm is beneficiary focused and mission driven to create social value that can include consideration and activities associated with stakeholders, cooperation, competition, and inter-functional coordination [56]. Interpretive flexibility is used to identify and address societal challenges and priorities. A key distinction of social orientation is the collaboration and commitment of stakeholders, including employees, linked through shared social values, commitment, objectives and activities [27]. Moreover, in socially driven firms new practices become institutionalized [20] that are focused on collective good [40].

Types of Innovation. Technological innovation can be described in various non-mutually exclusive ways. These innovations can be described as product vs. process, incremental vs. radical, and architectural vs. component. Each of these are discussed below.

Product innovations are new products or services that meet a market need while process innovations are new components used within a firm's operations [88][89][32]. In addition, in a business to business application, a product innovation for one firm can become a process innovation for another firm. During the later stages of an industry life cycle, process innovations tend to follow product innovations to improve the effectiveness and efficiency of firm operations as firms compete more based upon cost [88]. The importance of process innovation, i.e. the non-material aspects such as attitudes, behaviors, and new practices in social innovation, has been highlighted as even more important than as an instrumental element in solving problems [67][20]. A product based view of social innovation reduces it to a normative instrument than a radical reordering of the social system.

Incremental to radical innovation reflects a continuum of newness of an innovation. More incremental innovations reflect additive improvements to existing products/services or processes that can result in faster and tangible benefits for originating firms and adopters within an existing industry. More radical innovations can be high impact innovations that can be competence destroying or destructive to markets, firms, or industries [44][79]. While the sheer number of incremental innovations is greater than the number of radical innovations, the magnitude of impact of radical innovations to firms, users, and industries is greater. Large incumbent firms tend to exhibit greater incremental innovations through exploitation of existing core technologies while newcomers are more likely to develop radical technological innovations [16][52].

In addition, an innovation often is part of a larger system. An innovation that is architectural requires a system configuration change [39] while an innovation that is a component can fit within an existing system configuration [79]. Users may resist an architectural innovation and prefer to adopt a component innovation due to the system configuration changes required.

III. HYPOTHESIS DEVELOPMENT

The insights gleaned from the extant technology and market innovation literature offer only partial insights to understand the social innovation process. There has not been sufficient research undertaken to understand how the technological innovation process works in the context of ventures with social or a blend of social and market orientations. However, many new technology ventures today are founded based upon, at least in part, a social cause. While some firms measure their social contributions in terms of monetary philanthropy, other firms integrate social contributions into their products/services and business model. For the latter firms, understanding the innovation process becomes a central consideration in order to understand how social benefit is created. In this section, we seek to develop a conceptual model of understanding the innovation process of technology ventures in regard to orientation and organizational structure and how the related decisions and activities can influence the impact of their innovation whether economic or social (see Figures 1 and 2). Figure 1 represents the innovation process for ventures when customers and beneficiary preferences are misaligned while Figure 2 represents the innovation process for ventures when customers and beneficiary preferences are aligned. This alignment and misalignment serves as an important determinant particularly in venture structure and innovation impact decisions. We begin with the hypothesis development associated with Figure 1.

Innovation Development and Venture Orientation. One of the earliest decisions an entrepreneurial venture makes, to address an identified market need, is whether to create a new innovation, adopt an existing innovation, and/or incrementally improve an existing innovation. More radical innovations are new innovations, typically generated through intensive R&D, that can have high impact to users, firm profitability, industry disruption, and economic benefit. More incremental innovations involve less R&D or innovation investments and reflect additive changes to a product, often envisioned by existing users. While incremental innovations are far more prevalent than radical innovations, new comers to an industry are more likely to develop radical innovations than industry incumbents. Thus, entrepreneurial ventures are possible generators of radical innovations.

When considering the 'generate or adopt' decision, a key issue for new ventures is to what extent they make investments to create or improve an innovation. To invest in new innovations or to improve upon an existing innovation is critical for entrepreneurial ventures that are small and have limited resources. The creation of a new technological innovation, in particular, involves significant upfront expenditures in the R&D process for both basic and applied research. These expenditures vary by industry but can include labor, laboratory space and equipment, intellectual property

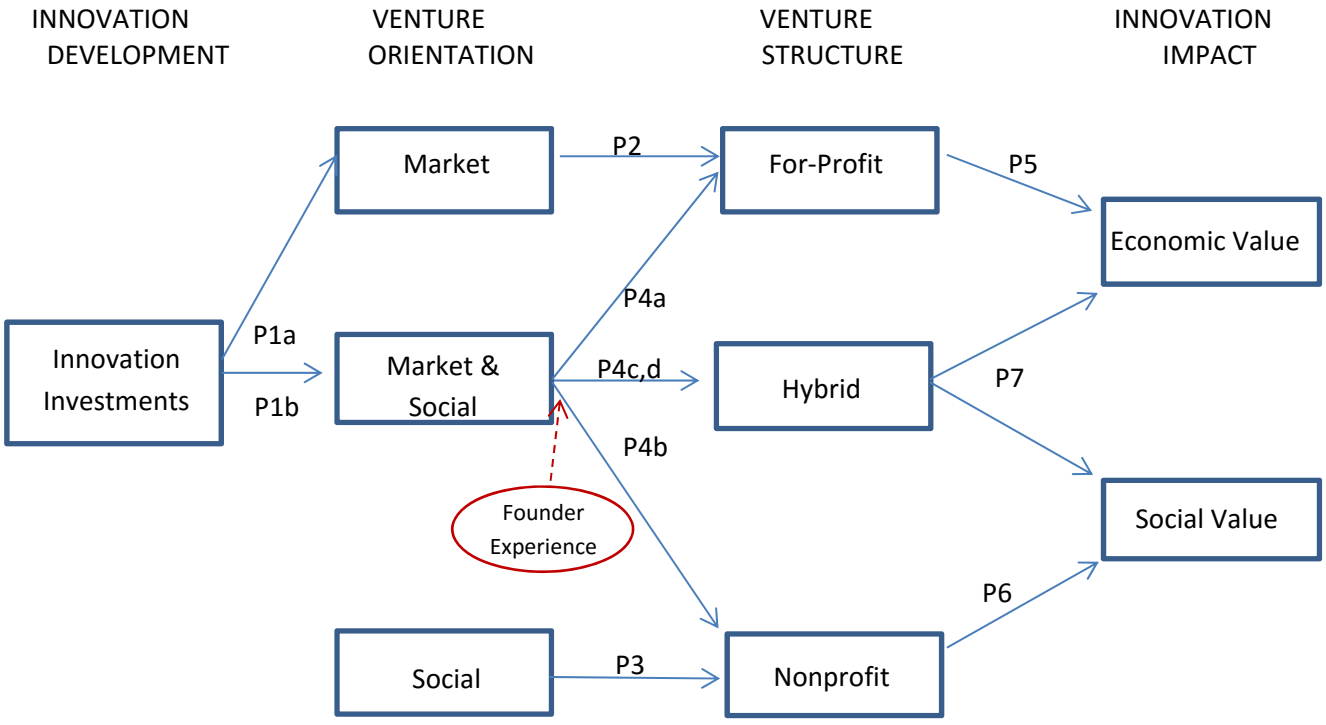

Fig 1: Venture Innovation When Customer & Beneficiary Preferences are Misaligned

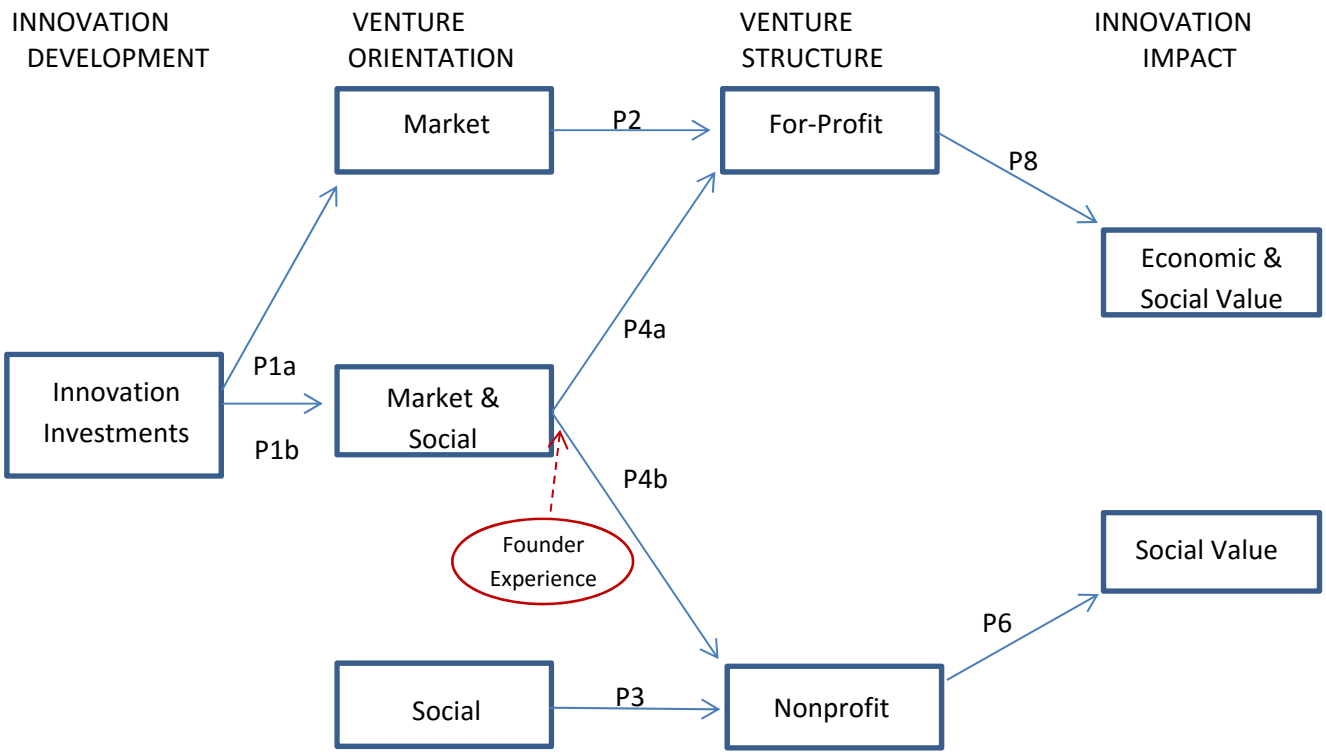

Fig. 2: Venture Innovation When Customer & Beneficiary Preferences are Aligned

protection, and raw materials. Unfortunately, increased investments in innovation does not always reap innovative outcomes so these ventures may consider these investments in terms of a call option and delay venture launch and/or commercialization activities unless success is deemed likely [17]. However, whether the venture proceeds or not, there are certainly sunk costs. As a result, most entrepreneurial ventures tend to adopt and/or incrementally adapt an existing innovation rather than generating an entirely new innovation. This incremental improvement of an existing innovation can also incur costs that can impact venture expenditures and success. Greater innovation related expenditures increase the risk associated with liability of newness and limited resources of the venture that can negatively impact venture survival and success [43][84]. To alleviate these costs, these ventures may secure competitive grants such as SBIR and STTR grants in the USA or other funding sources, and align themselves with non-profit entities such as universities and non-profit incubators for less expensive access to needed critical resources.

The strategic orientation of the venture can be impacted by this financial strain associated with innovation related expenditures. A venture can be based upon a market or social strategic orientation or a blend of both initially. The strategic orientation sets the strategic direction, culture, resources, behaviors, and activities invested by the venture. A venture with a market orientation will pursue profitability with a firm-wide focus on influencing and addressing buyer needs and selling products and services to these buyers. A firm with a social orientation will be seeking to address social challenges in order to create social value for beneficiaries.

Because a venture with a market orientation is focused on profitability, more so than a more socially orientated venture, and that increasing investments in innovation can negatively influence the survival of ventures, we posit that ventures that directly make greater innovations investments, with no external funding support, will seek to recoup the financial costs incurred and minimize venture survival and success risk incurred through an increasing focus on profitability. Thus, a venture that has made greater innovation investments will develop a greater market orientation, and possible experience a mission drift, where the costs of innovation development can be made up via profitable returns. This market orientation could be blended with a social orientation or as a sole market orientation. Thus, we propose:

Proposition 1a: Ventures that have directly made greater investments in innovation will have a greater market orientation.

However, if a venture mitigates these investment costs through gaining needed support of actors such as investors or funding/grant agencies, the terms of these supporting entities can dictate the orientation of the firm resulting in mission drift [30] and remains an area in need of further research [10]. These actors can provide financial support but also knowledge and network benefits to support the venture and

innovation process. If the venture and supporting actor orientations are consistent, then there is no needed change of venture orientation. However, when there is an inconsistency among the support actor and venture orientation, the orientation of the venture may require adaptation to a blended orientation. For example, anecdotal evidence from entrepreneurs has shown that the award of a USAID grant required a venture to partake in further studies that would advance knowledge of social enterprising while an investor interested in the financial return of a venture business idea that was initially focused on social impact required the venture to seek profitable returns. In both instances, the venture was required to adjust their orientation from a social or market orientation to a blended social and market orientation. Thus, these supporting actors can influence venture orientation so we propose:

Proposition 1b: Ventures that receive greater support for investments in innovations from actors with differing orientations will adjust, as required, their orientation to a blended market and social orientation.

Venture Orientation and Venture Structure. The orientation of the venture, that may be influenced by the source and extent of innovation investments, will influence the type of organizational structure selected by a venture. The structure selected establishes the venture as a legal entity with specific responsibilities regarding legal liability, fund raising, profit generation, and taxes. The organization structural can be a for-profit, nonprofit, or hybrid in form.

The for-profit form is able to raise funds via debt and investors and some grants, earn taxable profits, has a competitive market culture, and is focused on customers and sales. A nonprofit seeks funding from donors and grants to conduct activities and create programs that create social value. A hybrid organization, which can take multiple forms, is a blended form that is often for-profit with some social value goals embedded. For a venture that has a strong market orientation, the predominant focus is on meeting the desires and needs of customers. This market orientation has a logical alignment to a for-profit structure where meeting customer needs translates to customer sales to achieve profitable returns for investors. Thus,

Proposition 2: A venture with a predominately market orientation will have a greater propensity to select a for-profit organizational structure.

For a venture that has a strong social orientation, where the focus is on addressing social challenges and creating social value, there is a logical alignment to a nonprofit organizational structure where there is a primary focus on creating and providing programs and activities that will address social needs with fund raising serving as a secondary but necessary activity via grants and donations that align with their social value proposition. Thus,

Proposition 3: A venture with a predominately social orientation will have a greater propensity to select a nonprofit organizational structure.

However, for ventures with a blend of social and market orientations, the choice of organizational structure is less clear. It has been argued that many, if not all entrepreneurial ventures, have some degree of a blend of social and market goals [61][66]. These ventures can opt for either a for-profit, nonprofit, or hybrid organizational structure but the decision is not clearcut. Neck, et al. [66] categorized hybrid firms into two types: 1) a social purpose firm that opts for a for-profit structure although having a more social mission and 2) a social consequence firm with a more economic mission that seeks social impact. However the balance of social/market mix of a venture mission is sometimes difficult to objectively determine. In addition, motivations of ventures are difficult to observe and are often mixed making determination of what is social and what is not a challenge [70].

However, human capital appears to be the root of these decisions. Specifically, the experience, education, gender, and age of venture leaders can influence organizational decisions [61]. In addition, it is very difficult for firms with hybrid structures to find employees who possess the experience and mindset to blend the dual market and social orientations and this challenge can affect venture success [11]. Workers socialized in their respective sectors tend to carry on with the habits acquired [9]. For those with for-profit experience, there is a greater propensity for incorporating commercial/market logic, although this effect decreases over time [53] although it is unclear if there is a similar affect for incorporating social logic. We posit that the experience of the founding team can influence the creation of venture goals, create an appropriate organizational culture to support and develop employees to support the dual orientation, and also provide the needed ecosystem networks for venture support and, subsequently, the organization structure. Specifically, we posit:

Proposition 4a: A venture with a comparable blend of social orientation and market orientation that has a founding team with greater experience with for-profit organizations will have a greater preference for a for-profit organizational structure.

Proposition 4b: A venture with a comparable blend of social orientation and market orientation that has a founding team with greater experience with nonprofit organizations will have a greater preference for a nonprofit organizational structure.

Proposition 4c: A venture with a comparable blend of social orientation and market orientation that has a founding team with balanced experience in nonprofit and for-profit organizations will have a greater preference for a hybrid organizational structure.

However, the literature also suggests that founders without prior experience in neither nonprofit nor for-profit

organizations tend to have greater success in managing hybrid organizations [9]. Given that many entrepreneurial ventures are founded by young entrepreneurs with limited or no work experience, we propose:

Proposition 4d: *A venture with a comparable blend of social orientation and market orientation that has a founding team limited or no experience in nonprofit and for-profit organizations will have a greater preference for a hybrid organizational structure.*

However, Proposition 4c and 4d are developed under the assumption that customer and beneficiary, the group that the innovation is focused upon, are not one and the same and that their needs from the innovation or the innovation process differ (see Figure 1). Customers are typically viewed as consumers of the output of an organization whether as an end user or in a business to business transaction where the product is used to further outputs. Beneficiaries can be end users but also those who gain benefit as part of the innovation process within the supply chain such as suppliers, manufacturers [37], employees [12][83] or partners [30]. For example, when considering the end users of a product, when there is a misalignment or less degree of alignment, the product characteristic preferences of customers are very different from the product characteristic preferences of beneficiaries. For example, anecdotal evidence from an entrepreneur shows how the development of an infant incubator for premature babies will have different product attributes for hospitals in the USA, as product customers who will purchase the product, than hospitals in Bangladesh, as social beneficiaries. The USA hospital needs involved state of the art technology that can monitor and alert hospital personnel of the infant's health and status while also providing a nurturing environment. However, within Bangladesh, the need to create a sterile environment for the baby as part of the nurturing environment was very important since the hospital conditions were not sanitary in comparison to the USA hospitals and the larger hospital system was less technologically sophisticated to use much of the state of the art technology. In this case, the needs of the customer and beneficiary were different. Also, beneficiaries can exist in the value chain rather than as end users. For example, a specialty clothes manufacturer employing workers who traditionally have difficulty finding jobs such as troubled youth, has an alignment of customers and beneficiary needs but these groups have differing needs from the innovation.

When there is misalignment or lessor alignment among customers and beneficiaries, firms are challenged to address the expectations of both customers and beneficiaries via a hybrid organization structure where social good and profitable gains can be achieved. However, when the innovations needs of customers and beneficiaries are aligned, then the need to form a hybrid structure is not needed but can be addressed in a for-profit structure where social good and profits to mitigate venture survival and success risks co-exist (see Figure 2). Hybrid structures are newer organizational forms that are not available in all jurisdictions, place limitations on various portions of business operations and fund raising, and are often difficult to manage so they are not the ideal organizational structure form for a venture to be effective when alignment exists.

Innovation Impact. When considering the diffusion and subsequent impact of a venture's innovation, there are many considerations including the degree of integration into the larger innovation system, the degree of radicalness of the innovation, and the diffusion of the innovation across customers and beneficiaries. Component innovations are innovations that fit within the existing innovation system that are more easily and quickly adopted than architectural innovations that require system changes. More radical innovations may be initially resisted but offer something new that has the potential for greater impact to users and industries in comparison to more incremental innovations that offer smaller changes to existing products but real and tangible benefits within existing industries [36]. The diffusion of innovation to the large majority of customers or beneficiaries is not immediate nor necessarily time dependent but reflects the process of distribution of an innovation to segments with a potential chasm that can stall diffusion. All of these factors can influence the performance of an innovation yet are organizational and innovation specific.

Ultimately, what is important is the economic and social value that an innovation creates. Social innovation is not just the domain of non-profits but has also been attributed to the creation of social value even when that innovation is not necessarily emerging from a social enterprise or is under the guise of corporate social responsibility, corporate citizenship, and socially responsible business [70]. Many innovations can achieve both social and economic value with the intention or 'tilt' of the venture being the distinguisher. For example, pharmaceutical products, the automobile, and the internet are all innovations created for economic value that also provided societal benefits [70]. Thus, social and economic value can be outcomes of many types of organizational forms and requires further exploration.

Economic value has long been attributed to entrepreneurship and innovation. Schumpeter [80] describes how entrepreneurs can serve as a vehicle for economic growth through spurts of creative destruction associated with innovation. In addition, successful technology ventures enable economic development through the creation of jobs and taxable profits [13][73]. Economic value often exceeds market value and is defined as the worth of a good or service that is dictated by the preference of customers in light of tradeoffs given their scarce resources or the value the market places on an item. This can be denoted by the maximum amount of money a customer is willing to pay or the amount of time a customer is willing to sacrifice when waiting in a socialist economy (Investopedia, 2016).

Ventures with a for-profit structure will be focused on achieving profitable returns for investors and the repayment of debt through a customer focus. When there is a

misalignment between customer and beneficiary needs from an innovation, a venture with a for-profit organizational structure will be seek the greatest value from their product and service from customers. Thus, we propose:

Proposition 5: When customer-beneficiary innovation needs are less aligned, a venture with a for-profit organizational structure will achieve greater economic value.

Social value is the creation of benefits or reduction in costs for society by addressing social needs and problems in a way that extends beyond private gains or the benefits of market-focused activity [70]. Also, when customer and beneficiary needs are less aligned, a venture that has a nonprofit organizational structure will be beneficiary centric and is focused on addressing societal challenges and social good through programs and activities with funding serving as a secondary, facilitating role for the venture. While nonprofits can also take a market orientation, these ventures have exhibited mixed results regarding social benefit provided and, consequently, have exhibited negative financial performance [21] while a management focus on awareness and addressing the needs of donors can enhance performance [93]. Thus,

Proposition 6: When customer-beneficiary innovation needs are less aligned, a venture with a nonprofit organizational structure will achieve greater social value.

When the customer and beneficiary needs are less aligned, a venture with a blended market and social orientation will have a hybrid structure which allows both customers and beneficiary needs to be addressed. Thus, we propose:

Proposition 7: When customer and beneficiary innovation needs are less aligned, a venture with a hybrid organizational structure will achieve both greater economic and social value.

However, when customer and beneficiary preferences are more aligned the need for hybrid structures disappear. Given the liability of newness and limited resources of an entrepreneurial venture, the need for money is greater than established firms. In addition, securing grants and donor funds is a great challenge for ventures. While 80% of the largest donors desire to donate funds for social change initiatives, only 20% of these donors make large donations to nonprofits seeking social change [77]. Conversely, a venture with a for-profit structure will have the dual benefit of generating profits to mitigate the risks of a new venture from liability of newness and limited resources as well as enabling social good. When commercial activities are tied to social needs, there can be greater social responsibility among firms [27] and less conflict between social good and business success [94]. Thus, we propose (see Figure 2):

Proposition 8: When customer-beneficiary preferences are more aligned, a venture with a for-profit organizational structure will achieve both greater economic value and greater social value.

IV. CONCLUSION / IMPLICATIONS

In this paper we propose a conceptual model to better understand the innovation process of market and socially oriented technology ventures. While the extant technology innovation literature has widely considered the innovation process of market driven firms, much less is understood regarding the innovation process of socially or market/socially orientated ventures.

While bringing together a disparate literature to develop this conceptual model, we posit that the orientation of a venture can be influenced by factors such as funding sources and founder experience. The orientation of the venture can influence the organizational structure of the venture such as for-profit, hybrid, or nonprofit structures. However, the organizational structure and subsequent innovation impact is contextual to the degree of alignment among customer and beneficiary innovation needs. When there is a lower level of alignment, hybrid structures serve an important role in the innovation impact of these ventures. When there is a higher level of alignment, hybrid structures are less important to achieve innovation impact and for-profit structures are preferred. Finally, we posit that innovation impact of economic value is best achieved through a for-profit structure and social value is best achieved through a nonprofit structure. However, both economic and social value are best achieved via a hybrid structure when customer and beneficiary innovation needs are less aligned but both are best achieved via a for-profit structure when customer and beneficiary innovation needs are more aligned.

This conceptual model offers insights to business development professionals, economic development professionals and entrepreneurs regarding how to best maximize innovation impact of technology ventures.

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