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Influence of Investor-Venture Interactions on Sustainability Impact

An explorative study of investor-venture interaction's influence on sustainability Impact of early-stage ventures and their investors

Master's thesis in Entrepreneurship and Business Design

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CHALMERS UNIVERSITY OF TECHNOLOGY
Gothenburg, Sweden 2025
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SUMMARY

Entrepreneurial ventures play a crucial role in providing markets with new sustainability offerings that are inevitably essential in the transition to a more sustainable society in the decades to come. Entrepreneurial ventures are, however, often dependent on external capital from the private equity market for testing, developing and scaling its product offerings in the market. This thesis therefore investigates the dynamics in the interaction between entrepreneurial ventures and their investors in relation to the sustainability impact of the ventures and in what way the venture-investor interaction tends to influence such undertakings in the venture.

In doing so, this study collects data from semi-structured interviews, using data from three pairs of investors and technology based entrepreneurial ventures, with a sustainability profile. That is, each pair includes an investor from a venture capital firm that has invested in an entrepreneurial venture. The ventures can be described as in the early stages, in the sense that they are either testing their product or having limited commercial sales. The data is analyzed using qualitative methods of separating the data in first-order descriptive codes from the interviews and second-order analytical codes of patterns of venture-investor interaction dynamics related to sustainability impact of the ventures.

At a descriptive level all three ventures in the study are purpose-driven and aim to generate an impact related to sustainability in its respective industries and thereby show clear intentions to generate value to society overall. All three investors acknowledge the importance of addressing issues related to sustainability but differ in their intentions. Their aim in the interaction can either be described as sustainability performance intentions or financial performance intentions.

The findings in this study indicate that investors with financial performance intentions prefer that entrepreneurial ventures focus on sustainability when the business case and profitability exist already, that is often as the venture matures. Investors with sustainability performance intentions are on the other hand more strategic in their undertakings from the beginning and only invest in ventures that have sustainability on their agenda as well as strategically support those ventures, the study indicates. In that sense, a key takeaway for entrepreneurial ventures that aim to generate sustainability impact is that they need to be careful when selecting investors to collaborate with in terms of the dynamics related to sustainability.

Future research could aim to further validate these findings by expanding its cultural, economic and geographic scope and through complementary field research to investigate the dynamics of investor-venture interaction regarding sustainability impact of entrepreneurial ventures.

Keywords: Dynamics of Investor-Venture Interaction, Sustainable Entrepreneurship, Early-Stage Sustainability Impact Driven Ventures, Venture Capital Firm Investments.

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1 Introduction

Since Gore (2007) shed light on the ongoing global warming, there has been an ever-increasing public attention to climate change and a sense of urgency to transition to a more sustainable society. This is further emphasized in the outline of the United Nations Sustainability Goals, encompassing economic, social and ecological global development goals. In the process of reaching this policy, entrepreneurial ventures play a key role in driving environmental innovation and contributing to the transition of a more sustainable society (Lüdeke-Freund, 2020). Thereby positioning them to create significant positive environmental impact.

In line with this, sustainably oriented entrepreneurship is according to Shepherd & Patzelt (2011) focused on opportunity development related to bringing future products, processes and services to the market, that emphasizes the preservation of nature, life support and community. In doing so, the gains of the venture include both economic and noneconomic aspects that benefit individuals, the economy as well as society. In general, however, the broad purpose of an entrepreneurial venture is captured by Blank (2020), who compares it to an established company. A company can be seen as a stable business organization, which sells a product or service in exchange for revenue and profit. A venture, on the other hand, is an entrepreneurial and temporary organization that is designed to search for a repeatable and scalable business model, and thereby survive in the long-term.

Nevertheless, for the entrepreneurial venture to be able to test, validate and scale its business model further, external funding from various investors is often required. The investors offer capital for this purpose, in exchange for ownership and equity in the venture (Hisrich, 2017). As a result of this central link in entrepreneurial venture development, there seems to be numerous streams of previous literature and research that have investigated various aspects of the dynamics in the interaction between investor and entrepreneurial ventures.

In that sense, there has been an increasing focus on developing and understanding practical tools for entrepreneurs (Berglund et al., 2020; Campos et al., 2017). An example is the growing interest in understanding both the methods for entrepreneur-stakeholder interactions, such as those with financiers, and how these interactions influence the creation of new ventures (Mitchell et al., 2021). DeBaise (2011), moreover, notes that there exists both advantages and disadvantages in the venture-investor dynamics when funding entrepreneurial ventures through venture capital firms, that spans from the investors' active board participation to activities in the day-to-day operations of the venture. Therefore, it has been shown that selecting the right partners for the entrepreneurial ventures can be crucial both for the investors as well as the entrepreneurial ventures' future development (Bengtsson & Fredric, 2010).

Secondly, entrepreneurial ventures are recognized as key drivers of environmental innovation and sustainability transitions. Despite their potential to generate significant economic, social, and ecological value, the literature seems to offer limited insights into how interactions between entrepreneurial ventures and private investors, such as venture capital, shape sustainability outcomes. On the other hand, when it comes to publicly funded investments and venture capital in entrepreneurial ventures, such capital has clear and transparent intentions to contribute to the economic development at national, regional and local levels, including various policy goals (Hisrich, 2017).

A third research stream that focuses on impact investments in entrepreneurial ventures has argued that the sustainability impact of ventures is dependent on three key factors: the venture's intended effects, stakeholder perceptions of value, and the nature of the interactions between ventures and their stakeholders (Fichter et al., 2023). Dumont (2024) further studies how impact investors evaluate their potential investments and assess the credibility of the impact promises given by entrepreneurial investors to them and find that how the venture defines and follows up its impact is an element of importance for impact investors, among others. Still, Miller & Wesley (2010) notes that social venture capital firms tend to evaluate entrepreneurial criteria as more important than social criteria, and that the social criteria are dependent on the preferences of the investors.

Such prior research has thus emphasized that the understanding of both the credibility assessments made by investors (Dumont, 2024) and the inherent sustainability tensions faced by ventures (Keskin et al., 2020; Glinik et al., 2024) is lacking. In addition, Glinik et al. (2024) concludes that the literature is lacking in studies examining how external stakeholders influence the sustainability tensions faced by new ventures and the management strategies employed to address these challenges.

It thus appears that the intentions of private investors, and especially venture capital firms, related to their environmental impact ambitions can be argued to be less explored in past investigations. Hence, further research into investor-venture interactions is essential for enhancing our understanding of how these dynamics influence entrepreneurial ventures' sustainability impact. This study therefore aims to contribute to the literature by investigating the identified gap of investor-venture dynamics regarding sustainability impact of entrepreneurial ventures.

The thesis is structured as follows; section 2 presents relevant theory, the process of private equity market and obtaining venture capital, section 3 presents the method of the study, section 4 presents the findings from interviews. Section 5 discusses each investor-venture case pair. Section 6 concludes and suggests future research.

1.1 Purpose and Research Question

The purpose of the thesis is to explore the dynamics of the stakeholder interaction between ventures and investors, in this case venture capital firms, in relation to the sustainability impact. More specifically, the thesis aims to contribute to an improved understanding of how this interaction potentially affects the entrepreneurial venture journey in terms of their sustainability impact, by studying the dynamics in the interaction between venture capital firms and ventures.

In that way, the thesis aims to explore on one hand the entrepreneurial ventures sustainability tensions, i.e., to balance economic performance with environmental performance. In parallel, the thesis aims to explore investors' external influence on the venture's sustainability impact, i.e., how entrepreneurial ventures as well as investors evaluate the importance of sustainability undertakings in the venture.

The research questions will be the following:

Under what circumstances and in what ways, does investor-venture interaction influence the sustainability impact of early-stage ventures and their investors?

1.2 Delimitations

This section presents aspects that have been excluded in the study's result for various reasons. The thesis studied technology based entrepreneurial ventures, and more specifically, entrepreneurial ventures with an environmental profile that aim to generate a positive environmental impact. In that way, the study excluded perspectives of other impact-aspiring ventures, for instance entrepreneurial ventures that aim to create a positive social impact from its venture.

The study additionally focused on funding in entrepreneurial ventures originating from venture capital firms. It thus excludes multiple funding options for the ventures that come from various public sources, angel investors and private equity firms.

With that said, the financing stage of the entrepreneurial ventures is between start-up and second-stage expansion phase. Therefore, the study excluded entrepreneurial ventures in its absolute earliest stages of idea testing. Similarly, it excluded the most advanced entrepreneurial ventures, where the management are planning an exit or preparing the venture for going public on the stock exchange.

Although attempts were made to broaden the scope of entrepreneurial ventures and venture capital firms to other regions of Sweden, there was a lack of respondents willing to participate in the study. All data is collected from entrepreneurial ventures and venture capital firms in Gothenburg, Sweden. In that sense, the cultural, economic, and geographic scope in the analyses remains Swedish.

Furthermore, from a data collection point of view, the research is limited to individual semi-structured interviews. The study thereby excludes any type of field research, for instance, meeting observations in the interaction between entrepreneurial ventures and their investing venture capital firms, when discussing and working together on sustainability topics in the respective ventures.

2 Theoretical Framework

This chapter outlines the theoretical foundation of this study. It introduces relevant theoretical frameworks for understanding how the investor-venture relationship affects sustainability impact. This framework comprises four sections: private equity with a focus on venture capital, venture companies, the interaction between ventures and investors, and sustainability.

2.1 Private Equity

The following section details the various forms of external funding available to ventures from private equity. It will cover the different risk-capital markets, including informal sources like individuals and business angels, formal firms such as private equity firms, and venture capital investors. The chapter also presents how venture capital investors raise money, what motivates their investment decisions, and the different types of venture capital funds.

2.1.1 Overview of Private Equity Investors

Hisrich (2017) notes that there are three risk-capital markets, referring to the market that provides debt and equity to non-secure financing situations, and that can be involved in financing a venture's growth. Those are the informal risk-risk capital markets, a market that consists of individuals, the venture-capital market, consisting of formal firms, and finally the public equity market, consisting of publicly owned stocks of companies. Moreover, the private equity market provides capital for privately held firms and can therefore be referred to as an enterprise capital market. Table 1 illustrates the various types of external funding that is available to ventures from private equity.

The first type of equity comes from the informal risk-capital market, that is individuals and commonly referred to as business angels that can be organized in angel groups or funds. Angels often invest at very early stages, and therefore have a higher expected ROI on their investments.

Another category of private equity comes from private equity firms. Those private equity firms are organized as private equity funds (Hisrich, 2017 p. 318). The private equity firms invest the money of the funds in return for shares in the venture. The private equity firms collaborate with the venture's leadership team, with the aim to grow the value of the company and generate a profit when selling the acquired shares, for example through an Initial Public Offering, IPO (ProPublica, 2025).

Finally, the third source of private equity comes from venture capital (VC) investors. Venture capital is a form of investment capital provided to early stage private companies that are ready to develop beyond the first stages and show strong potential for profitability and growth. Venture capital investors typically acquire minority stakes in these companies and take an active role in helping them grow and succeed (Herzog, 1990). Unlike their more conservative banking counterparts, venture investors focus on startup teams with the potential to significantly disrupt industries and deliver substantial financial and strategic returns (Miller, 2020).

A key characteristic of venture capital investors is their focus on the early stages of a company’s development (Lafta, 2023), and thus, many businesses that receive venture capital funding have little to no revenue at the time of investment. As a result, the returns on these investments often depend less on a company's current financial performance and more on its future growth potential.

Venture capital is organized either in private venture capital firms that may be geographically focused, university sponsored or have a philanthropic foundation (Hisrich, 2017, p. 326). In recent years, we have also seen the rise of numerous corporate venture capital (CVC) groups, which essentially are venture capital investors backed by a large corporation (Feld & Mendelson, 2019).

Table 1: *Illustration of various types of Private Equity available for entrepreneurial ventures, adapted from Hisrich (2017)*

Overview of Private Equity Market		
Individuals	Venture Capital	Private Equity Firms
Private Individuals	Private Venture Capital Firms	Limited Partners
Angel Groups	Small Business Investments Companies	General Partners
Angel Funds	Industry-Sponsored Venture	
Family Offices	Geographically Oriented Venture Capital Firms	
Crowdfunding	University Sponsored Venture Capital Firms	
	Philanthropic Venture Capital Funds	

2.1.2 How VC Investors Raise Capital

The foundation of venture capital investing is the creation of a fund, a pool of money raised from multiple investors who invest in the venture firm (Miller, 2020). VCs source this capital from a wide range of entities, including government and corporate pension funds, large corporations, banks, institutional investors, educational

endowments, high-net-worth individuals, family offices, funds of funds, charitable organizations, and insurance companies (Feld & Mendelson, 2019). These venture funds can range in size from tens of millions to several billion US dollars.

The fund itself is managed by the venture firm, typically owned by the senior partners (Feld & Mendelson, 2019). This firm employs all staff members, including partners and associates, and covers the firm's day-to-day operational expenses. While individual funds eventually close, the venture firm remains active, continuing to raise and manage new funds over time.

Corporate Venture Capital (CVC) investors differ from traditional venture capitalists in that they often report to executive management teams, other corporate departments, public shareholders, or even respond to quarterly financial results, rather than to fund investors (Feld & Mendelson, 2019). While some CVCs operate much like traditional VCs, many invest directly from their company's balance sheet and do not maintain a separate fund structure. When a CVC is not an independent entity but reports directly to the CEO or other senior executives of a large public company, additional pressures, beyond the pursuit of financial returns, often influence investment decisions (Feld & Mendelson, 2019). The availability of capital for investments can fluctuate with changes in the company's stock price and financial health, which can significantly impact a CVC's ability to raise additional capital for continued investments in ventures.

It is also possible for traditional VC funds to face situations where their investors refuse to provide additional funding (Feld & Mendelson, 2019). This could occur if investors lose confidence in the VC firm's decision-making or, more commonly, if external factors cause the investors to face liquidity constraints, making them unwilling or unable to invest more. Such situations arose during the global economic crises in 2001 and again in 2008 (Feld & Mendelson, 2019).

2.1.3 Venture Capital Investor's Motivations

When venture capitalists make investments, their only concerns are achieving financial or strategic returns and securing control over the investment (Feld & Mendelson, 2019). Control in this sense refers to the mechanisms that allow investors to affirmatively exercise control and influence business decisions to maximize these financial or strategic returns.

VCS' motivations generally fall along a spectrum (Miller, 2020). On one end there are finance-oriented investors who focus on maximizing Return on Investment (ROI). On the other end are strategy-oriented investors who prioritize Return on Innovation (ROI). Most venture capitalists position themselves somewhere between these two extremes, typically favoring one type of return slightly more than the other.

These motivations and financial incentives can significantly influence VCs' decision-making processes, often affecting their judgment, especially during difficult or pivotal moments in a company's journey (Feld & Mendelson, 2019).

2.1.3.1 Finance-Oriented Motivations

Venture capital financing is closely associated with both high risk and high return (Lafta, 2023). Early-stage companies often face significant uncertainty regarding their success and ability to generate profits. This high level of risk can result in losses if ventures fail, but it can also lead to substantial returns when companies succeed (Lafta, 2023). Investors choose venture capital investments fully aware of these risks, hoping that the successful investments will more than compensate for any losses.

Traditional venture capital investors are typically financially oriented, aiming for an approximate return of 20% capital growth per year over five years (Miller, 2020). However, given the high failure rate among startups, venture capital investors usually depend on one or two standout companies to deliver large financial returns, compensating for the losses from the rest of the portfolio. Investors expect the successful investments to achieve a 10x return to balance out the underperforming companies (Miller, 2020). While many funds target returns within three years of investment, some, especially those investing in early-stage deep tech startups, may adopt a longer horizon of up to a decade or more.

For finance-oriented investors, the return on investment is primarily realized through a liquidity event, such as a company sale or an initial public offering (Feld & Mendelson, 2019). Consequently, the investor's exit strategy is critical for maximizing their total returns (Cumming & MacIntosh, 2002). If a venture company fails to meet the investor's targets, venture capital investors are often able to accelerate the exit process (Bergman & Moreira, 2023).

In cases of successful exits, venture capitalists earn their big financial rewards through carried interest, which is the share of profits they receive after returning initial investments to their fund's investors (Feld & Mendelson, 2019). Typically, VCs receive 20% of these profits. However, an individual VC could achieve excellent personal investment returns and still earn no carried interest if the overall fund underperforms due to poor decisions by colleagues (Feld & Mendelson, 2019). Moreover, carried interest is often unevenly distributed between senior and junior members of VC firms, which can lead to internal tensions, particularly when fund overall performance is weak.

2.1.3.2 Strategic-Oriented Motivations

Strategic-oriented investors are motivated by goals beyond pure financial return and often answer to different stakeholders (Feld & Mendelson, 2019). These investors seek measurable returns on innovation, such as the number and quality of patents filed, the identification of new technology trends, expansion into new markets, mergers and acquisitions opportunities, the development of commercial relationships, and the recruitment of top talent (Miller, 2020).

Corporate Venture Capital (CVC) investors, in particular, tend to either balance financial and strategic objectives or focus purely on strategic outcomes (Miller, 2020). CVC managers are often explicitly or implicitly tasked with creating synergies within the parent corporation. As a result, CVCs are typically less focused solely on financial returns compared to traditional venture capital funds (Miller, 2020).

Unlike conventional VC investors, CVCs frequently invest to gain insights into new technologies, establish strategic partnerships (such as distribution channels or go-to-market strategies), block competitors, or secure large customers for the parent company (Feld & Mendelson, 2019). Because of these strategic benefits, CVCs are often willing to pay higher valuations than traditional VCs. However, they also tend to seek more control, often negotiating rights like the first right of refusal on future acquisitions (Feld & Mendelson, 2019).

2.2 Venture Company

Entrepreneurship plays a crucial role in the creation and growth of businesses, as well as in driving the economic development and prosperity of regions and nations (Hisrich et al., 2017, p. 6). Launching and managing a new business involves significant risk and effort, as entrepreneurs must overcome inertia and resistance to innovation. In building and scaling a new venture, the entrepreneur assumes both the responsibility and the risks associated with its development and survival, and stands to benefit from the corresponding rewards.

2.2.1 Sources of Capital for Ventures

Hisrich et al. (2017) emphasize that every business venture requires capital and highlights two main types of financing available for ventures, where the first is debt financing and the second is equity financing. In general, ventures are in many cases financed through a combination of debt and equity. More specifically, debt financing is an approach that includes paying an interest on the loan and that some asset, for example a car or a house, is used as a collateral. Equity financing, on the other hand, does not require a collateral, but the investor is instead given some form of ownership

in the venture. As a result, the investor shares in the profits or disposition to assets in the venture, is based on the percentage that is owned by the investor in the venture.

Hisrich et al. (2017), moreover, presents the most common sources of capital for ventures. Those include the entrepreneurs' own investments, and their family and friends' funds, all of which are important sources of capital in the early stages of the venture. Other common sources of funding are commercial bank loans, business angels, government grants, and venture capital.

Although, outside capital may be necessary to grow a venture Hisrich et al. (2017) highlights some of the challenges related to it and notes that external funding has other costs associated with it, in addition to the monetary costs themselves. To begin with, it takes time to find and raise outside capital or worse to find out that there is no capital available. Other problems can be that outside capital reduces the drive to search for income (that is, sales of venture products), or that it reduces the venture's flexibility by investor interaction results in changing focus of the core of the venture. However, the most important consideration is that outside capital provided to the venture is conditioned with certain returns expectations. For instance, investors push for short-term performance or an initial public offering (IPO) too soon and at the expense of long-term venture performance.

2.2.2 Phases of Venture Funding

Various types of private equity are often available for ventures at different stages of their journey. Therefore, the following paragraphs will explore the external financing available to ventures at various stages of their journey. These stages are, moreover, summarized by Hisrich (2017) according to below:

Early-stage financing of ventures can be divided into seed capital and start-up capital. Seed capital is often smaller investments that aim to fund early ventures that aim to do a feasibility study and explore proof of concept of its idea. Start-up capital relates to funding as the venture moves on from the first exploratory stages and aims to get operations started. That is, the venture focus will be on product development and initial marketing.

In these stages angel investors are often active, and their return expectations are often higher. As a result, early-stage venture investments are often hard to obtain. Venture capital is less common in this stage as venture capitalists usually have minimum investment levels/internal requirements to invest in a venture.

Venture capital is, however, more common as ventures become more developed and ready to expand operations beyond its early stages of getting the venture started. It's many times also easier to receive capital for ventures in an expansion phase than in its

early stages as the venture becomes more sophisticated. In the expansion and development phases of the venture, financing is separated between second stage, third stage and fourth stage investments. The second stage refers to financing a venture's initial growth phase, but that does not have any cash flow or profitability yet. The third stage refers to a venture that is undergoing rapid sales growth and is at break even or has a positive cash flow. The fourth stage financing is related to ventures that are preparing for a public offering (IPO).

Finally, to briefly conclude various stages of financing in the venture journey there are acquisition and buyouts, including for instance traditional acquisition where one firm takes ownership of another company, or when the management of a company are taking company control by buying out the current owners and lastly when management or some owners buy all the stock and take the company private again.

Table 2: *The table displays the financing stages of entrepreneurial ventures, adapted from Hisrich (2017)*

Financing Stages for Ventures	
Early Stage Financing	
Seed capital	Relatively small amounts to prove concepts and finance feasibility studies
Start up	Product development and initial marketing, but with no commercial sales yet; funding to get company operations started
Expansion of Development Financing	
Second stage	Working Capital for initial growth phase, but no clear profitability or cash flow yet
Third stage	Major expansion for company with rapid sales growth; company is at breakeven or positive profit levels but is still private
Fourth stage	Bridge financing to prepare company for public offering
Acquisition and Leveraged Buyout Financing	
Traditional acquisitions	Assuming ownership and control of another company
Leveraged buyout	Management of a company acquiring company control by buying out the present owners
Going private	Some of the owners/managers of a company buying all the outstanding stock, making the company privately held again

2.2.3 Entrepreneur's Motivations

This subchapter introduces frameworks concerning entrepreneur's motivations, describing common and intrinsic motivational aspects. It also presents how these motivation aspects are interrelated within the McMullen-Shepherd and Sustainable Entrepreneurship frameworks.

2.2.3.1 Overview of Common Motivation Aspects

Drews et al. (2015, p.91) propose that entrepreneurial motivations are inherently multi-dimensional, moving beyond the conventional opportunity or necessity split. Rather than depending solely on whether entrepreneurship was pursued out of economic desire or chance, entrepreneurs report a variety of motivating factors. Primary motivations include such as, the desire for autonomy and better work conditions, the pursuit of personal challenge and opportunity, financial objectives, and family or legacy considerations. Notably, autonomy emerges as the most strong motivator; entrepreneurs consistently emphasize the importance of having freedom and flexibility in shaping their work environments and achieving improved work-life balance (Drews et al., 2015, p.24).

Furthermore, the authors (Drews et al., 2015, p.92) concluded that entrepreneurial motivations tend to remain stable over time. When comparing motivations at the startup phase to those during the operational phase of the business, only slight shifts are observed. There is a modest increase in the prevalence of opportunity motives and the emphasis on autonomy, as entrepreneurs experience the realities of running their businesses, their initial expectations regarding flexibility and self-determination are largely met. Conversely, there is a small decline in growth expectations over time. Overall, about 70 percent of entrepreneurs reported that the reasons which initially drove them to start their business continue to be the primary drivers for managing the business, underlining the relatively stable nature of entrepreneurial motivation (Drews et al., 2015, p.36–38).

2.2.3.2 Intrinsic Motivation

According to Self-Determination Theory (SDT), intrinsic motivation involves engaging in activities because they are inherently enjoyable or meaningful (Ryan & Deci, 2000). Individuals who are intrinsically motivated pursue tasks for the satisfaction derived from the activity itself, rather than for external rewards (Aviste & Niemiec, 2023). Nguyen et al. (2022) similarly describe intrinsic motivation as participation driven by interest, satisfaction, or enjoyment, rather than external rewards or pressures. Furthermore, Nguyen et al. (2022) propose that intrinsic motivation represents the highest level of self-determination, where individuals' actions are closely aligned with their personal values.

Intrinsic motivation, compared to e.g. externally regulated motivation, is considered the most autonomous and has been consistently identified as more reliable for predicting sustained behavior compared to other motivational types (Bandhu et al., 2024). Intrinsic motivation has been shown to produce more enduring and impactful behaviors compared to extrinsic incentives, such as financial rewards or regulatory pressures (Srivastava et al., 2023). Because of this, intrinsic motivation is a critical

driver of long-term commitment in challenging contexts such as entrepreneurship (Al-Qadasi et al., 2024).

2.2.3.3 McMullen Shepherd Model

The McMullen-Shepherd model explains entrepreneurial action as a function of knowledge and motivation (McMullen & Shepherd, 2006). It focuses on how individuals recognize and act on opportunities under conditions of uncertainty, and it is particularly useful for understanding what motivates entrepreneurs to act when others do not (Hisrich et al., 2017, p.6).

According to the model, entrepreneurs firstly have to do opportunity recognition that requires overcoming ignorance (Hisrich et. al., 2017, p.6). Individuals must notice or interpret changes in the environment that others miss. However, merely recognizing an opportunity is not enough. Whether an entrepreneur decides to act depends largely on the entrepreneur's motivation, which drives two critical perceptions:

Perceived Feasibility: The entrepreneur must believe they are capable of successfully pursuing the opportunity (related to entrepreneurial self-efficacy).

Perceived Desirability: The entrepreneur must find the potential outcomes attractive (related to personal values, goals, and expected rewards).

In the context of entrepreneurial motivation, the McMullen-Shepherd model tells us that entrepreneurs are not just passive observers of opportunities, they actively use their knowledge (background, education, experience) to detect opportunities (Hisrich et al., 2017, p.6). Additionally they feel motivated enough to act based on a belief that pursuing the opportunity is feasible (they can do it) and desirable (they want to do it). When these two conditions are met, strong entrepreneurial intentions arise that often converts to actual behavior.

2.2.3.4 Sustainable Entrepreneurship Motivation

Sustainable entrepreneurship focuses on preserving nature, supporting life systems, and strengthening communities while pursuing opportunities to introduce new products, processes, or services that offer economic and non-economic gains to individuals, economies, and societies (Hisrich et al., 2017, p. 20). Social entrepreneurs can generate a wide range of benefits: economically (through job creation and government revenue), environmentally (through reduced pollution and improved resource quality), and socially (through better education, healthcare, and equality) (Hisrich et al., 2017, p. 22).

Based on the McMullen-Shepherd model, we know that entrepreneurial action is driven by knowledge and motivation (Hisrich et al., 2017, p. 6-7). Those with greater knowledge of the natural environment, the physical world, including the earth, biodiversity, and ecosystems, are more likely to notice changes in that environment that form opportunities than those with less knowledge. Additionally, there are many entrepreneurs today who are motivated to act on the entrepreneurial opportunity in order to sustain the natural environment and communities and develop gains for others.

Research also highlights the important role of intrinsic motivation in promoting intrinsic motivation in promoting pro-environmental behaviors and sustainability-oriented practices (Duong et al., 2023). For instance, individuals intrinsically motivated to protect the environment are more likely to engage in sustainability-oriented entrepreneurial activities, such as developing eco-friendly products or adopting green production practices. Additionally, unlike extrinsic incentives, such as financial rewards or regulatory compliance, intrinsic motivation fosters a deeper commitment to long-term behavioral goals, making it especially relevant in contexts where external rewards are limited, and the challenges are considerable (Sahu et al., 2023).

2.3 Investor - Venture Interactions

When venture capitalists (VCs) invest, their primary focus is on achieving financial or strategic returns and securing control over the investment (Feld & Mendelson, 2019). Consequently, the interaction between a venture and its investors is heavily influenced by the degree of control the investors exercise over the company.

2.3.1 Non-Legal Focused Interactions

Many venture capitalists take an active role in the companies they invest in by offering advice, experience, and resources (Rannaleet, 2006). Their involvement aims to increase the venture's chances of success and minimize risks. Investors often take on strategic positions within the company, allowing them to influence decision-making and overall strategy. This close collaboration is particularly valuable for early-stage companies that require expert support. In addition, investors may assist in recruiting key personnel, supporting marketing efforts, and connecting ventures with industry experts (Herzog, 1990).

2.3.2 Legal Focused Interactions

The need for control between the investor and the venture is reflected in various legal clauses outlined in the stakeholder and investment agreements between the venture

and the VC. Certain terms in the agreements focus on the economics of the deal, covering aspects such as valuation, liquidation preferences, pay-to-play provisions, vesting schedules, employee stock pools, and anti dilution protections (Feld & Mendelson, 2019). However, control provisions are equally important, as VCs are not involved in the company's day-to-day operations and therefore want a say in significant decisions that could materially affect their investment. These control provisions also help VCs fulfill their fiduciary duties to both their own investors and the company itself.

Although VCs often own less than 50% of a company, they usually have a variety of control terms in the stakeholder agreement that effectively give them control of many activities of the company (Feld & Mendelson, 2019). Additionally, Swedish corporate law grants shareholders the freedom to structure their shareholder agreements as they wish, and because such agreements are private, internal company arrangements can be kept confidential (Stattin & Svernlöv, 2013).

One of the most important control mechanisms is the election process for the board of directors (Feld & Mendelson, 2019). The board, being the most powerful component of a company's governance structure, holds the authority to fire the CEO and must approve many critical actions, including budgets, option plans, mergers, IPOs, new office openings, major expenditures, financings, and the hiring of C-level executives.

Another key legal tool is the use of protective provisions (Feld & Mendelson, 2019). Protective provisions grant investors effective veto rights over certain decisions, requiring their consent to ensure that critical actions do not undermine their interests (Ramberg, 2011). These provisions typically cover issues such as major changes to company operations, the issuance of new shares, and other important operational matters like significant investments or dismissal of key personnel. In this way, VCs often maintain veto-level control, particularly over decisions that could impact their economic position.

Investors also often negotiate rights to access company information (Ramberg, 2011). Although the scope of these rights can vary, they typically focus on reviewing and accessing financial documentation. Regular access to financial reports not only enforces stricter documentation practices but also enables investors to monitor company performance closely and determine the optimal timing and strategy for a potential exit.

2.4 Sustainability

The following section explores existing literature concerning the concepts of sustainable value creation. Beginning with describing different perspectives on value creation, it then presents how investors integrate sustainability considerations into

their evaluation and decision-making processes, and finally it examines the challenges and tensions encountered by ventures striving to achieve sustainability impact.

2.4.1 Perspectives on the Value Creation of Ventures

In line with this perspective, Grant (2022) notes that Schumpeter argues that entrepreneurial ventures offer great creative opportunities to individuals to make a difference in the world through entrepreneurship. In that sense, the entrepreneur is inspired by their own unique goals and ambitions. In practice this means that both the entrepreneurial venture and established firms are translated into the organization's specific purpose, that for example can be seen in the firm's mission and vision statements, among other places.

Moreover, Grant (2022) points out that there naturally exists a lot of variation in organizational purposes within and across markets and industries. Nevertheless, the purpose of all firms can be argued to be long-term survival. Therefore, a central consideration for all entrepreneurial ventures is how the venture intends to create value, not least the value that is created for the firms' customers. If the purpose is long-term survival of the firm, some of the value creation needs to result in profit. Moreover, if this is the case, the value created by a firm is distributed so that customers receive a value of the product or service, owners receive profits, and employees are receiving compensation among others.

However, Grant (2022) notes that there are two main streams of thought for whose interests the firm should prioritize when it comes to value creation. The first line of thought is shareholder value maximization and the second stream of thought is stakeholder value maximization. The stakeholder value maximization perspective argues that firms should operate first and foremost to generate profits to the owners, whereas the stakeholder value maximization perspective suggests that the firms should focus the interests of all its relevant groups, such as employees, customers, and suppliers, to mention a few. The shareholder value maximization perspective is about the firm maximizing the interests of all these relevant groups, so that the goal of the firm should be to maximize both consumer surplus, producer surplus as well as social externalities that benefit the community.

Friedman (1970) is one of the stronger advocates of the perspective that firms should first and foremost operate in their owner's interest. That is firms should prioritize the shareholder's interests, where the owner's primary interest is profitability of the firm. He criticizes the idea that businesses should care about social causes and other interest groups to the extent that he means that it is even destabilizing the capitalist system that has served society well. Moreover, he argues that managers are poorly trained to make decisions on social causes, especially with funds that belong to the

shareholders. Instead, by maximizing profits, this will ultimately benefit society in this neoclassical school of thought.

Grant (2022) furthermore argues that there are several factors that showcase the importance of earning a profit for the firm. First, firms operate in markets that tend to face increasing competition, and competition reduces firm profitability over time. As competition increases, the interests of the stakeholders, therefore, becomes long-term survival of the firm. This will benefit more stakeholders than the owners' themselves. The second factor is related to the threat of acquisition. Management teams that are unable to maximize the profits tend to be replaced by teams that deliver increased financial performance. Similarly, firms that don't maximize their profits can be targets for takeovers by firms that perform better, as they have larger funds. Finally, as long-run profitability requires collaboration and trust among employees, suppliers, customers, government and other community groups, there seems to be a tendency of alignment of various stakeholder interests, when the profitability of firms increases.

Nonetheless, Donaldson & Peterson (1995), advocates the stakeholder maximization perspective, and means that the shareholder perspective cannot be considered morally sustainable in the long run. When society grows more complex, the traditionally self-serving interest behavior of managers thereby fails to sufficiently serve various interest groups, other than the boards of their respective firms. Instead, managers should acknowledge the validity of various and different interest groups. More importantly, they argue that managers should aim to respond to the interest of the various groups in a structured way.

Grant (2022), however, showcases some of the stakeholder perspective's shortcomings, and argues that maximizing each stakeholder group's various interests can be close to impossible. More specifically, it is challenging for the firm to estimate and measure the value created for each interest group. Furthermore, if the firm is going to serve the interests of all its interest groups, management performance will on the one hand be hard to assess, on the other hand raises the questions who should assess the management. Thus, the overall corporate governance, including current legislation, of how firms operate is challenged.

2.4.2 Investors and Sustainability

Securing financial resources from investors is one of the first significant challenges for many early-stage ventures (Huang, 2018). Given the vital need for finance to enable the development of early-stage ventures, investigations of investors' evaluation criteria have attracted significant attention (Colombo, 2021).

For sustainability-oriented new ventures, the sustainability impact depends not only on the venture's intended effects but also on how stakeholders, such as investors,

perceive the product's potential effects (Fichter et al., 2023). Ventures often struggle to align these two aspects as there are challenges associated with forecasting and valuing future sustainability effects. Overly rigid and causal stakeholder approaches to predicting sustainability effects can limit a venture's ability to achieve long-term sustainability outcomes (Fichter et al., 2023). This conclusion aligns with Sarasvathy's (2024) argument that predictive methods alone are insufficient. In an increasingly uncertain world, traditional forecasting techniques are becoming less practical. Instead, non-predictive control methods are proving invaluable for fostering innovation. While analyzing future sustainability impacts is essential for meaningful assessment (Fichter et al., 2023), excessive reliance on prediction may restrict a venture's ability to adapt or pivot when necessary. At the same time, sustainability impact assessment can serve as both a strategic guide and a source of motivation for entrepreneurs, acting as a positive formative influence.

However, in some early stage ventures, entrepreneurs have yet to develop their products and demonstrate their commercial viability (Huang, 2018). Accordingly, market, product, and financial data may not be used fully to evaluate entrepreneurs' promises to achieve their economic goals. As a result, investors search for and assess information signals and use their intuition, both consciously and subconsciously, to evaluate the quality and credibility of entrepreneurs' promises (Huang & Pearce, 2015; Colombo, 2021). Among these evaluation aspects are the entrepreneurs':

- skills, experience, and reputation (Huang & Pearce, 2015)
- passion (Cardon et al., 2017)
- commitment to the venture (Busenitz et al., 2005; Huang & Pearce, 2015)
- storytelling/narrative skills (Martens et al., 2007).

As such, the evaluation of the entrepreneur related aspects primarily builds on the information entrepreneurs share during real-time interactions and not from documents. However, during these interactions, entrepreneurs engage in intensive storytelling to persuade investors of their skills and the value of their ventures (Martens et al., 2007). In doing so, entrepreneurs frame their endeavors in ways investors expect, adapting information according to the goals and interests of the stakeholder (Grimes, 2018). Entrepreneurs may also lie and provide investors with false information with self-reports and other economic promises (Scheaf & Wood, 2022). In this context, one major challenge for investors is to scratch beneath the surface of entrepreneurs' narratives to assess the credibility of his or her information.

The growth of entrepreneurs that addresses social and environmental problems has raised new aspects and challenges for investors to consider (Dacin et al., 2011; Smith et al., 2013). In such sustainability endeavors, entrepreneurs are assumed to be fueled by more prosocial intentions, for instance the desire to positively impact society and the environment (Hockerts, 2017). Investors must, therefore, combine the more traditional financial-focused criterias with newer social-based impact criterias in their credibility evaluation (Ormiston et al., 2015). As such, observable surface level traits

from demographic characteristics or other visible markers of identity, can reduce uncertainty about the social mission (Miller & Wesley, 2010). In other words, when entrepreneurs display characteristics that are typically associated with a social mission, for instance aligning with communities that value social impact, these observable traits may induce a greater degree of commitment to social goals. Additionally, Miller and Wesley (2010) entrepreneur's affective display, such as their passion for social goals, can be interpreted as a sign of genuine dedication to achieving social impact. Investors may therefore perceive passionate entrepreneurs as being more likely to commit the resources and perseverance needed for the venture's social as well as commercial success.

Dumont (2024) extends on the prior research by shifting the focus from observable traits (e.g., passion & storytelling) and self-reported prosocial intentions to deeper behavioral evaluations. The author concluded that early-stage impact investors assess the credibility of social entrepreneurs' promises by scrutinizing four key behavioral dimensions:

1. Impact Metrics – Entrepreneurs' awareness, understanding, and use of social impact measurement frameworks to signal their commitment to impact.
2. Impact Track Record – Investors examine entrepreneurs' biographies and past experiences for evidence of passion and familiarity with their social mission.
3. Impact Management – Investors assess personal and organizational decisions, such as work conditions, salaries, and policies, as indicators of an entrepreneur's alignment with social values.
4. Impact Prospect – Investors evaluate entrepreneurs' future vision, particularly their commitment to maintaining social impact while scaling or exiting their business.

These four dimensions shape an investor's belief in the credibility of an entrepreneur's impact promise, which influences investment decisions (Dumont, 2024). For entrepreneurs, understanding how investors assess credibility can help entrepreneurs align their behaviors, decisions, and narratives with investor expectations.

2.4.3 Ventures and Sustainability

For ventures pursuing multiple sustainability visions, inherent tensions emerge as the triple bottom line perspective recognizes sustainability as an attempt to balance social, economic, and environmental goals (Meuer et al., 2020). These tensions arise because the goals and metrics for social, environmental, and economic outcomes are often not aligned. The goals may even have conflicting goals, creating a situation of trade-offs. For example, a strategy that improves environmental performance may require investments that can temporarily reduce economic returns.

Marion et al. (2012) argued that the tensions in new ventures that strive for sustainability experience, include mission drift, challenges with resource allocation, divergent stakeholder interests, and difficulties in measuring performance. Keskin et al. (2020) demonstrated that the way entrepreneurs define their value proposition terms of sustainability, has implications for the severity of the tensions they face. The increasing complexity of decision-making caused by competing sustainability objectives results in severe tensions for early stage ventures.

According to Glinik et al. (2024), these tensions arise in four key areas: organizing, performing, belonging, and learning. Many of the tensions fall into the categories of belonging and performance. The most common challenges involve balancing financial viability with sustainability goals, accommodating stakeholder expectations, and managing internal team disagreements over sustainability priorities.

To address these tensions, entrepreneurs adopt three primary strategies: avoidance (prioritizing one goal over another), resolution (developing frameworks to integrate competing goals), and separation (postponing sustainability goals until financial stability is achieved) (Glinik et al., 2024). The study concluded that resolution is preferred when possible, but new ventures often resort to avoidance or separation due to resource constraints.

3 Method

The following chapter outlines the methodological framework employed in this study. It details the rationale behind selecting a qualitative research approach, justifies the use of semi-structured interviews as the primary data collection method, and explains the procedures for data selection, collection, and analysis. The chapter further addresses the validity and reliability of the research and discusses potential limitations.

3.1 Qualitative and Quantitative Research

Bryman and Bell (2011, pp. 26–27) summarize qualitative research as a strategy that emphasizes words rather than quantification in data collection and analysis. It is typically associated with an inductive approach to the relationship between theory and research, focusing on the generation of theories. Qualitative research views social reality as a dynamic, ever-changing construct shaped by individuals' actions and interactions. This type of research enables the conceptualization of patterns over time (Van Burg et al., 2022).

For this study, the planned research method is determined by the nature of the subject area. Initially, both a quantitative and qualitative research method were considered, as well as a combination of the methods. A quantitative approach may have been relevant for examining aspects such as investment trends and their impacts on specific sustainability goals. However, stakeholder interactions, particularly within early-stage ventures, are inherently challenging to quantify. Additionally, given that the practical methods for stakeholder interaction and the implementation of sustainability goals are still evolving and experimental, a qualitative research method was selected as an appropriate approach to address these aspects.

3.2 Interviews

In qualitative research, interviews are among the most widely used methods (Bryman & Bell, 2011, p. 465). The two primary types of qualitative interviews are unstructured interviews and semi-structured interviews (Bryman & Bell, 2011, p. 467).

An unstructured interview is defined by its flexibility. The researcher typically uses minimal guidance, such as memory notes, to recall the topics to be covered. In some cases, the interviewer might ask a single open-ended question, allowing the interviewee to respond freely. The interviewer then follows up based on points of particular interest. As a result, unstructured interviews often resemble informal conversations.

In contrast, semi-structured interviews provide a more organized framework. The researcher prepares a list of questions on specific topics, referred to as an interview guide. Despite this structure, the interviewee is given considerable freedom to elaborate on their responses. Questions do not need to follow the guide's exact order, and the interviewer is encouraged to ask follow-up questions where appropriate. However, in a semi-structured interview, all prepared questions are typically addressed, and similar wording is used across participants to ensure consistency.

For this study, the semi-structured interview method was chosen. This approach offered a balance between structure and flexibility, ensuring greater efficiency while allowing for in-depth exploration of the topics being studied.

3.3 Data Selection

Two primary groups were selected for interviews, these were investors and early-stage ventures. The investors fund early-stage ventures with an expectation of growth. The ventures had high growth potential, a strong profit outlook, and a commitment to sustainability. Each investor had invested in one of the selected ventures, allowing for an in-depth examination of how their interactions influenced sustainability outcomes.

3.3.1 Investors

Investors were selected based on the following criteria, they had to be Swedish companies that invest in startups and ventures in exchange for equity. This criterion ensured that investors had a vested interest in the success of the venture, leading to more active involvement in its growth and strategy. Equity ownership typically creates closer interactions between investors and entrepreneurs, making it easier to analyze the interactions' influence on sustainability initiatives.

Investors were identified through Gothenburg's business region list of venture capital investors and through search engines. A representative sample of eleven suitable investors was compiled, and interview requests were sent via email. Two private venture capital investors and one corporate venture capital investor agreed to participate in the study.

3.3.2 Ventures

Venture companies were selected based on two key criteria. First, they had to have received investment from one of the interviewed investors. Second, their business model needed to incorporate sustainability objectives beyond financial profit. These

criteria ensured that the interactions between investors and ventures could be analyzed in relation to the implementation, evolution, and impact of sustainability initiatives.

Suitable ventures were identified through the investment portfolios of the participating investors. To verify their commitment to sustainability, only ventures that explicitly stated sustainability objectives in their online descriptions were included. A representative sample of four ventures was compiled, and interview requests were sent via email. Three ventures agreed to participate, all of which primarily focused on cleantech sustainability initiatives.

3.4 Data Description

Among the venture capital firms, two of the firms receive their funding from wealthy individuals and one of the firms receives their funding through being part of a larger multinational corporation. The entrepreneurial ventures have apart from their venture capital received funding from all potential sources, that is angels, banks, public grants, and public venture capital among others.

When it comes to sustainability, all six case companies can be said to have an ambition to contribute to sustainability wherever it is possible, but only Investor A can be said to have a clear commitment to invest in sustainability driven ventures. Similarly, all the entrepreneurial ventures have clear ambitions to contribute by offering sustainable solutions to their customers.

The ventures have all been active for at least 4 years and have between 3-8 employees actively working in their operations. Finally, all firms are geographically based in Gothenburg, Sweden.

Table 3: *This table showcases the data description and collection of VC investors.*

Data Description & Collection - Investors			
	Investor 2 (Corporate)	Investor 1	Investor 3
Investor-Venture Case Pair	A	B	C
VC Type	Corporate VC	Private VC	Private VC
Firm Age	14 years	6 years	24 years
Firm Size	1-5 FTE	1-5 FTE	1-5 FTE
Firm Location	Gothenburg	Gothenburg	Gothenburg
Funding	Major Corporation	Private Investors	Private Investors
Investments	3+ Investments	10+ Investments	15+ Investments
Respondent's Role	Investment Manager	Investment Manager	Investment Manager
Interview Type	In Person	In Person	Online
Interview Length	60 min	60 min	45 min

Table 4: *This table showcases the data description and collection of ventures.*

Data Description & Collection - Ventures			
	Venture 2	Venture 1	Venture 3
Investor-Venture Case Pair	A	B	C
Industry	Cleantech	Cleantech	Cleantech
Firm Age	7 years	4 years	7 years
Firm Size	1-5 FTE	6-10 FTE	6-10 FTE
Firm Location	Gothenburg	Gothenburg	Gothenburg
Funding	Angels, banks, Private VC, Public VC	Angels, family offices, Public VC, Private VC	Angels, grants, VC
Respondent's Role	Entrepreneur & Co-founder	Entrepreneur & Co-founder	Entrepreneur & Co-founder
Interview Type	In Person	Online	Online
Interview Length	45 min	45 min	30 min

3.5 Data Collection

Semi-structured interviews were conducted both in person and online, depending on the participants' availability, see table 3 and table 4 for details. Each interview lasted between 30 to 50 minutes and followed a prepared interview schedule. To enhance clarity, the interview questions were translated into the respondent's native language

and displayed on a large screen. This approach aimed to reduce stress for participants and mitigate any potential verbal communication disturbances during data collection.

The questions asked were in large the same for all participants in the same selection group, but the interview schedule differed between the selection groups, see details in appendix. The reason for the adoption of questions between the selection groups was to align the questions to the power dynamic existing between a venture and investor. The interview questions asked to investors focused more on how the investors view and interact with ventures in relation to sustainability. The interview questions asked to venture companies focused more on the entrepreneurs impact credibility and how their investors influence them.

While most questions remained consistent within each selection group, the interview schedules differed between investors and ventures, see details in the appendix. This differentiation between selection groups aimed to align the questions with the power dynamics between investors and ventures. Interviews with investors focused a tiny bit more on their perceptions of and interactions with ventures in relation to sustainability. In contrast, interviews with entrepreneurs focused perhaps more on the entrepreneur's impact credibility and how investors influenced their decision-making.

To ensure accuracy, all interviews were recorded with the participants' prior consent. Both authors conducted the interviews collaboratively, and the recordings were transcribed after each session.

3.6 Data Analysis and Strategy

There are only a few well-established and widely accepted rules for qualitative data analysis (Bryman & Bell, 2011, p. 571). Two methods particularly suitable for analyzing interview material qualitatively are analytical induction and grounded theory. Both follow an inductive approach, beginning with data collection, identifying patterns, and ultimately developing theories (DeCarlo, 2018). These methods also guide the data collection process (Bryman & Bell, 2011, p. 571), through an iterative framework, where analysis starts early and continuously informs subsequent data collection.

Analytical induction begins with a tentative definition of the research question and a hypothetical explanation. Data is then collected and analyzed through case investigations (Bryman & Bell, 2011, pp. 574–575). If inconsistencies arise between the data and the hypothesis, the hypothesis is either refined or reformulated entirely. This process repeats until no further contradictions appear.

Grounded theory is the most widely used qualitative analysis framework (Bryman & Bell, 2011, p. 577). It is built on four key concepts. The first is theoretical sampling,

where data is collected, coded, and analyzed iteratively to guide subsequent data collection and theory development. The second is coding, which involves breaking data into smaller components and categorizing them systematically. The third is theoretical saturation, the stage at which new data no longer contributes to refining or expanding theories. The final concept is constant comparisons, a process in which data, categories, and emerging theories are continuously assessed to ensure coherence.

In line with this, Tracy (2019) outlines a research strategy for analyzing and coding qualitative data, used in the data analysis of this study. In this approach the researcher can think of the collected data as a big buffet with multiple dishes, where the *coding* results in the buffet “being distilled into its main main ingredients” (p. 286). From these ingredients (the codes), the researcher creates a new dish from the main ingredients with the aim to contribute to the literature.

More specifically, according to Tracy (2019) the coding can occur in first-level descriptive codes and second-level analytic codes. First-level codes come from the data collected from fieldwork or as in this case interviews and depending on the breadth of the material primary codes can range from 20 to 300. These first-level codes thus aim to describe the main characteristics of the material gathered. Moreover, the first-level codes in combination interpretation and theory are used to create second-level codes. This process includes collecting similar codes under a hierarchical umbrella.

Given that this study is exploratory and aims to fill a research gap concerning the intangible, experimental, and complex dynamics of investor-venture interactions, both analytical induction and grounded theory were used. The research began with a tentative definition of the study area, followed by data collection, pattern identification, and theory development. Continuous data comparisons were conducted, particularly across the selection groups. The interview process continued until theoretical saturation was reached, and respondents' answers began to overlap. Grounded theory's iterative nature enabled us to refine our explanations through direct interaction with the data.

3.7 Validity and Reliability

The question of measurement validity concerns whether a measure of a concept truly captures that concept or not (Bryman & Bell, 2011, p. 42). During the data collection, we have no major reason in believing the validity of the result is low. Concepts and definitions, such as sustainability, ventures and startups, were described in each interview.

Three key factors in determining whether a measure is reliable are stability, internal reliability, and consistency between observers (Bryman & Bell, 2011, p. 41). In line

with this Tracy (2019) notes that reliability refers to the “stability and consistency” of a research tool, thus meaning that reliable studies can be replicated precisely, no matter who is conducting the study. In that sense the reliability concept is important in scientific measurement and in quantitative methods where reliable studies are “replicable, stable and consistent over time” However, in qualitative research such notions of objective findings drawn from the data can instead be considered an inappropriate target. Especially, considering qualitative data can include aspects of interpretation and critical analysis and if those were fully objective the world would be known as one-dimensional. Moreover, social constructions and processes are constantly in process and will change over time. In conclusion, to repeat the same study with a different research team in a qualitative study is thus not possible, as that research team will have another perspective and interpretation of the studied area.

Another important consideration in qualitative studies concerns the overall coherence of the argument which can be considered to be a related concept of validity in quantitative studies.

Tracy (2019) discusses that an important aspect of qualitative studies is meaningful coherence, which refers to that the study should achieve their stated purpose, accomplish what they espouse to be about, and finally use methods and paradigms that align with the purpose and interconnect it with theory, methods and findings. More specifically, meaningful coherence refers to it being a fit between the type of research, research questions, methodology and knowledge claims.

Meaningful coherence is in that sense related to the concept of discriminant validity, which in quantitative research is about ensuring the quality of a measurement, e.g., a survey or an experiment. That is, to ensure that the study measures what it aims to measure. Tracy (2019), however, argues that in qualitative studies the researcher(s) rather than a specific measuring device is the instrument.

3.7.1 Limitations

This study has some clear limitations. While we attempted to gather data from investors in various cities, responses were limited to the Gothenburg area, which may introduce regional bias. Although we aimed to include ventures with diverse sustainability focuses (e.g., cleantech, greentech, and healthtech), only cleantech ventures participated, potentially limiting the generalizability of the findings. Furthermore, the study primarily relied on semi-structured interviews. While valuable, this method could be strengthened by incorporating additional data collection methods, such as on-site observations of investor-venture interactions, to provide richer and more nuanced insights.

4 Findings

This chapter presents the findings from interviews with both investors and ventures. The first section details investor perspectives, while the second chapter presents the findings from the venture

4.1 Findings from Investor Interviews

This section presents the findings from interviews with investors, detailing their approaches to sustainability, their investment criteria, and their perceived tensions between financial and environmental or social goals.

4.1.1 Impact Credibility Assessment

This subsection specifically explores investor perspectives through the lens of Dumont's framework, focusing on key behavioral dimensions that investors use to assess the credibility of entrepreneurs' impact promises.

Impact Metrics

Investment managers demonstrated varying approaches both to defining sustainability objectives and measuring their impact within ventures. Investment Manager 1 highlighted a lack of explicit criteria or standardized processes for evaluating sustainability objectives, relying primarily on exclusion criteria informed by ownership directives. They avoid investing in sectors explicitly marked as undesirable and refrain from ventures with clear negative sustainability impacts. Regarding impact measurement, this manager openly acknowledged the absence of effective metrics or structured measurement processes, expressing a future aspiration to develop clearer methodologies.

Investment Manager 2, in contrast, described a structured and tailored approach. Startups themselves define their sustainability goals, but these are evaluated against internal frameworks, such as the Sustainable Development Goals (SDGs) and the ESG checklist provided by Invest Europe. This investor emphasizes customized impact tracking tools, including calculators for CO₂ savings and detailed lifecycle assessments. Measurement criteria vary significantly between ventures and can encompass numerous sustainability indicators, such as energy use, emissions, and ethical supply chain practices. Active and ongoing follow-up approach characterizes their impact measurement method.

Investment Manager 3 offered yet another distinct perspective, emphasizing a broader and less structured evaluation approach that relies heavily on ethical considerations, avoidance of politically or militarily sensitive activities, and a strong focus on circular

economy principles. In addition, the investment manager stated that it is not sustainability goals themselves that they base their investment decision on, but rather that they share a common vision with the entrepreneurs of the venture. Their primary measurement method involves assessing the inherent sustainability of the venture's business model. Formal scoring systems or rigorous validation processes are not used, instead, periodic evaluations of strategic alignment and business model integrity was enough for the sustainability impact measurement process.

Impact Track Record

Investment managers provided varied insights into how entrepreneurs' track records influence their investment decisions in ventures with social or environmental focuses.

Investment Manager 1 indicated that an entrepreneur's individual track record is less significant compared to the overall purpose and sustainability proposition of the venture. According to them, about 95% of investment proposals received already inherently focus on sustainability, whether through AI efficiency improvements, resource minimization, or circular business models. For this manager, the decisive factor is typically the innovative solution a startup presents, such as reducing waste, rather than solely the entrepreneur's personal credentials. Nevertheless, they acknowledged that credible entrepreneurs who demonstrate capability in building and scaling businesses positively impact their investment considerations.

Conversely, Investment Manager 2 underscored the importance of entrepreneurs' personal expertise and experience as critical factors. They provided concrete examples where the entrepreneur's extensive domain knowledge and long-term experience, such as 20 years in sustainability-focused sectors, significantly increased their confidence in the investment. Additionally, they highlighted the necessity of evaluating the broader team, recognizing that entrepreneurs with purely academic or research backgrounds might pose concerns regarding their ability to meet financial goals. Thus, for this manager, the combination of personal expertise, experience, and a balanced team composition is an important basis for investment decisions, especially in early venture stages.

Investment Manager 3 further emphasized the decisive role entrepreneurs' drive, credentials, and alignment with ESG-positive business models play in investment decisions. They illustrated this point through a specific example, noting that without the entrepreneurs' personal passion, experience, and social or environmental commitment, the venture would likely have appeared indistinct from conventional business models, thereby decreasing its attractiveness as an investment. Their approach explicitly factors the entrepreneurs' merits, ambitions, and track record as integral criteria influencing their decisions to invest in sustainability-driven ventures.

In summary, while Investment Manager 1 places greater emphasis on the venture's purpose and solution, Investment Managers 2 and 3 notably stress the importance of

entrepreneurs' track records, expertise, and personal drive as crucial elements influencing their investment decisions in sustainability-focused venture

Impact Management

Investment Manager 1 highlighted the lack of a structured template for assessing ventures' sustainability prioritization during operational decisions. Instead, they emphasized that sustainability considerations naturally surface during due diligence processes. If significant negative sustainability impacts are identified, these become influential factors during negotiations and could theoretically lead to abandoning a deal altogether. They noted a clear difference between established businesses, where robust sustainability practices can positively influence acquisition decisions and pricing, versus startups, where such established practices and certifications are typically absent. Consequently, these management criteria often do not directly impact initial evaluations for startups.

Investment Manager 2 described sustainability as integral to their ventures' business models, explicitly noting that the ventures they support inherently promote sustainable transformation for their customers. Sustainability and financial returns are not viewed separately; instead, sustainability objectives are embedded directly within business operations. Continuous monitoring through clear indicators ensures that sustainability remains aligned with business performance and progress.

Investment Manager 3 offered a pragmatic perspective, suggesting that, in practice, financial returns frequently overshadow sustainability in startups. They pointed out the inherent resource constraints faced by smaller ventures, arguing that focusing heavily on sustainability at early stages often diverts critical attention from core business activities, potentially harming profitability. While acknowledging sustainability as beneficial, they clearly stated that investors typically prioritize profitability above all else, especially at early stages. They also emphasized that comprehensive sustainability reporting and robust management practices tend to emerge naturally as companies mature and become subject to regulatory and stakeholder expectations.

Impact Prospect

Investment managers described distinct methodologies to ensure alignment between their impact prospects and those of the entrepreneurs.

Investment Manager 1 recognized challenges due to the lack of explicitly documented sustainability objectives within their organization. They acknowledged that clear, written sustainability goals would facilitate better alignment assessments. In the current state, alignment assessments are somewhat informal, often relying on their influence exerted as investors to guide ventures towards perceived necessary sustainability practices.

Investment Manager 2 emphasized continuous and close dialogue as central to achieving alignment. They described structured mechanisms, such as shared creation of business plans, ownership directives, and various policy developments, including environmental policies, as key tools to maintain alignment. Explicitly, they stressed the critical importance of shared visions, noting that significant discrepancies in sustainability perspectives would result in not proceeding with an investment.

Investment Manager 3 also highlighted formal documentation and explicit alignment in the initial business plan as vital for ensuring shared impact prospects. They emphasized that investments only occur if business, values, and sustainability visions align clearly between investors and entrepreneurs. They suggested that mutual alignment acts as a necessary equilibrium, ensuring both investor and entrepreneur objectives are respected.

Regarding the sustainability alignment of future owners post-exit, Investment Manager 1 openly stated that this issue had not previously been a consideration within their processes. Investment Manager 2 described selecting the buyer carefully as the primary mechanism for securing continuity in sustainability goals, acknowledging limitations in influence post-sale. Conversely, Investment Manager 3 highlighted that the future owner must have a clear growth and sustainability agenda to maintain and further develop the business in alignment with its established trajectory.

In summary, the investment managers' approaches range from informal assessments and influence-driven alignment to structured dialogues and explicit documentation, reflecting varied practices in ensuring alignment of sustainability visions during the investment lifecycle, including considerations for exit scenarios.

Impact Credibility Assessment Reflections

Investment managers reflected on how interactions with ventures have influenced their sustainability objectives, internal sustainability management practices, and long-term sustainability prospects. Investment Manager 1 noted limited direct learning from startups in terms of established sustainability practices, largely due to startups being at early stages without comprehensive internal sustainability frameworks or policies in place. However, they recognized potential indirect value in the unique competencies embedded within startup teams, although this has rarely translated explicitly into sustainability-focused learnings.

Conversely, Investment Managers 2 and 3 highlighted significant learnings derived from interactions with ventures. Manager 2 emphasized the substantial impact these interactions have on their internal practices, stating that engagement with innovative startups continually introduces new ideas and approaches, enriching internal sustainability management strategies. They specifically noted the role of dialogue with startups in enhancing operational methods rather than altering overarching

organizational sustainability objectives or long-term visions, which are inherently more stable.

Investment Manager 3 expressed similar sentiments, emphasizing the importance of knowledge exchange among their portfolio companies. They described a systematic approach to transferring best practices from one venture to another, creating a dynamic learning ecosystem that substantially benefits their internal sustainability management and vision development.

Regarding the aspect most significantly impacted by venture interaction, Manager 2 pinpointed internal operational practices as most influenced, highlighting the tangible day-to-day adjustments in management methods resulting from startup interactions. Manager 3, however, identified the broader organizational vision as the aspect most enriched by such engagements.

When asked if they had changed their investment criteria based on learnings from ventures, responses varied. Investment Manager 1 noted no significant changes specifically related to sustainability, although exceptions have been made concerning valuation criteria when encountering exceptionally promising ventures or entrepreneurs. Manager 2 acknowledged continual learning from startups, which informs their approach and decision-making in subsequent interactions, though this learning has not explicitly altered formal investment criteria. In contrast, Manager 3 confirmed active adjustments to investment criteria informed directly by continuous learning experiences from engagements with ventures, emphasizing an adaptive and evolving investment approach.

4.1.2 Sustainability Tensions

Investment managers expressed various views on tensions experienced between sustainability and financial objectives. Investment Manager 1 highlighted a clear directive excluding profitable but unsustainable sectors, such as betting, SMS loans, and oil industries, suggesting an intentional sacrifice of potential financial gains to maintain sustainability integrity. Conversely, Investment Manager 2 indicated minimal perceived tensions, asserting that sustainability and business performance typically align closely within their portfolio, although acknowledging occasional practical challenges when market acceptance or willingness to pay for sustainable products falls short. Investment Manager 3 presented a more pragmatic stance, stating that “9 out of 10 investors focus on the financials looking good before they focus on fully meeting the sustainability goals”, meaning that financial objectives usually take precedence, with sustainability goals viewed as secondary unless the venture reaches a certain scale where sustainability compliance becomes mandatory.

When discussing how venture interactions influenced these tensions, Investment Manager 2 highlighted a positive impact, noting reduced tensions through increased knowledge and improved decision-making. Investment Manager 3 emphasized the importance of due diligence when investing ventures and entrepreneurs in order to avoid negative publicity and ensure alignment, reinforcing financial priorities while maintaining sustainability credibility. Investment Manager 1 did not specify clear influences from venture interactions.

When asked if they push ventures toward greater social or environmental goals or primarily seek out ventures that already have these objectives, investment managers described various approaches. Investment Manager 1 explained that while larger, more established companies must comply with EU sustainability directives, their venture investments take a more hands-off approach, and influence very little if anything. They prefer to let sustainability efforts grow naturally from within the ventures, but if a startup lacks any sustainability focus, they may encourage integrating it into their business model. Investment Manager 2 expressed a proactive stance, regularly assessing the impact of their investments and progressively raising the bar. For example, after confirming a technology's initial carbon-saving potential, they then consider how to improve the sustainability of production materials as the business scales and sales increases. Investment Manager 3 emphasized consistently striving for the best social and environmental performance. They noted that strong sustainability and social engagement not only improve public perception but also highlight how their ventures outperform traditional competitors. With an ownership agenda in place, their portfolio companies generally don't push back on sustainability demands, instead, it often works the other way around.

Investment managers offered a range of approaches to handling the interplay between environmental, social, and economic objectives at their ventures. A sustainability manager colleague to Investment Manager 1 emphasized the importance of focusing efforts on areas where the firm has the greatest potential impact. Another perspective came from Investment Manager 2, who suggested that tensions can be eased by relying on well-grounded data. With clear, accurate data, decision-making becomes more straightforward, allowing objectives to align naturally. Investment Manager 3 added that taking active roles, such as board seats, helps ensure that initiatives lead to positive environmental and social effects while maintaining financial goals. They stressed the importance of operational focus, instead of merely showcasing sustainability achievements, they recommended their ventures to demonstrate tangible business cases, proving how their products help clients reduce emissions through practical applications.

When asked about difficult tradeoffs between social or environmental impacts and commercial goals, responses varied among investment managers. Investment Manager 1 did not provide a specific example. Investment Manager 2 discussed a situation where an environmentally beneficial investment faced hurdles due to market

readiness and customer willingness to pay. In that case, they had invested in a company whose product, while greener, was slightly more expensive than the market norm. The product's adoption was slowed because society wasn't fully ready, resulting in limited customer demand. This meant the company remained viable, but returns took longer to materialize. Investment Manager 3 described a current scenario where a portfolio company's business model shifted away from sustainability. To address this, they plan to reassess their ownership strategy and consider whether to maintain their shares or exit. The core of the tradeoff involves deciding whether to stay true to their sustainability principles or allow the company to continue along its current path. Ultimately, this requires a choice between adhering to their values or prioritizing the company's ongoing operations.

When asked under what circumstances a venture should adjust its sustainability objectives or timelines, investment managers offered different perspectives. Investment Manager 1 noted that if a company currently has no sustainability efforts at all, that would be a clear reason to encourage them to start. They aim to align sustainability and financial goals so they support each other. None of their portfolio companies have an excessive focus on sustainability, so the need for adjustment tends to arise when there's a total lack of effort in this area. Investment Manager 2 shared an example of a company developing a product to help children in healthcare. The company's entrepreneurs initially wanted to use recycled plastic in their product, but this approach would have delayed development and increased the risk of failure. Instead, Investment Manager 2 recommended them to prioritize launching the product quickly to reach more children and revisit sustainability improvements once the product had proven successful. Finally, Investment Manager 3 highlighted the need for adjustments when a company is approaching a size that triggers regulatory sustainability reporting requirements. At that point, they would push the company to implement necessary reporting processes and expertise to meet these obligations.

4.1.3 Ending

When discussing additional ways venture interaction influences sustainability impact, the investment managers pointed out several key factors. Investment Manager 1 noted that, in the VC context, the primary goal is often rapid value creation and exit, which limits the opportunity to deeply influence internal sustainability practices. While their startups may have a positive impact through innovative products or services, these early-stage companies rarely have mature internal sustainability practices in place. Investment Manager 2 highlighted the benefit of exposing startups to a broader knowledge base and network. They emphasized that working closely with investors provides startups with both the expertise and connections necessary to integrate their products into larger systems, thereby enhancing their overall sustainability impact. Investment Manager 3 stressed that, for startups, profitability is essential to survival, so sustainability must be inherently embedded within the business model. Rather than

aiming to meet numerous external benchmarks, they argued that the venture's core operations and business plan should naturally align with sustainable practices.

4.2 Findings from Venture Interviews

This section presents the findings from interviews with entrepreneurs, outlining their sustainability approaches and perceived tensions between financial and environmental/social objectives.

4.2.1 Impact Credibility Assessment

This subsection specifically explores the entrepreneurs' perspectives through the lens of Dumont's framework, focusing on key behavioral dimensions that investors use to assess the credibility of entrepreneurs' impact promises.

Impact metrics

To begin with, two of the three interviewed entrepreneurial ventures claimed that based on the solution they are offering to the market, they have clear methods on how to measure its environmental contribution. For example, venture 2 mentioned that they measure the reduction of toxic emissions using their company solution. Venture 3 focuses on ways to reduce water, energy and microplastics emissions at their customer, and chooses their customers according to their wish to accomplish these targets. The outlier company, venture 1 has instead been more visionary in terms of its intended environmental impact. One reason for this is because they have pivoted, that is, changed their concept and target industry during the venture journey. Nonetheless, the visionary objectives as such have been clear, before and after pivoting, and that has been to replace toxic chemicals for more environmentally friendly alternatives and reduce waste in their target industries.

To ensure credibility and to validate the venture impact claims above, venture 2 and venture 3 have both done pilot studies of their impact at the customers' respective venues. Venture 2 characterize themselves as a clean tech company, and therefore sustainability is an integral part of the venture's development. Through studies at their customers', venture 2 have validated the levels of toxic emissions they can reduce by using their product. Apart from customer studies and direct metrics they also have visionary discussions on how to develop a product that is circular, rather than only offering a consumable product. Similarly, venture 3 directly measures how much water- and energy savings their solutions can generate at their customers. However, venture 1 mean that since they don't have a finished product and have recently moved from one industry to another, they are struggling to measure their potential environmental impact in detail and are after a few years of operations, due to their recent pivot and change of target industry again in a more visionary phase on how to

generate impact. Instead, they are trying to estimate their potential impact and make that data available to customers.

Finally, when it comes to the investor-venture interaction and how various types of interaction is viewed in that collaboration from the venture's perspective. As venture 2 has a clear sustainability focus in their products they mean that they haven't struggled with communicating around their impact metrics with investors. More specifically, they communicate to investors that the company contributes to phasing out old solutions and thereby increasing thereby offering more clean and sustainable solutions to the market, and this has been widely supported. On the other, customers may sometimes challenge and ask more critical questions related to their claims.

In contrast, venture 3 and venture 1 argue that they see less interest in discussing their impact with investors. Venture 3 argues that investors see the value of sustainability focus on the venture, but that their focus mainly is on generating returns and in that sense the sustainability communication with investors can be more challenging. Venture 3 reasons that if they would stop reporting and focusing on impact, none of their investors would care too much. Similarly, venture 1 suggests that only 5-10 % of their communication time goes into sustainability, and that investors are more interested in discussing returns. All in all, the return is the investor focus according to venture 1, in comparison to the sustainability impact they try to create.

Impact Track Record

Another dimension that Dumont (2024) finds as important for impact investors is related to their background, in which these investors are looking for signals of the entrepreneur's prosocial intention and social mission.

The drive to start and develop all the three companies appears to have been originating from a personal sense of contributing positively to society. The entrepreneur of venture 2, for instance, stated that already during time spent at university he was inspired by other ventures that aimed at creating impact, and therefore wanted to explore that route too. Otherwise, personal interest such as spending time in nature, also works as a starting point for wanting work with environmental topics careerwise. For the entrepreneur of venture 3 the reasoning is similar and the personal experience of having lived in places with poor drinking water quality, has contributed to only wanting to work for an organization that aims to create a social impact, one way or another. In the specific case, one of venture 3's impact aims are water savings too. In the case of venture 1, the entrepreneur relatedly explains that in the early stages the founding team wanted to create a company with a clear impact purpose and work purposefully toward creating social and environmental impact beyond having a traditional profit perspective to the business.

Impact Management

A third dimension that Dumont (2024) finds as an important criterion for impact investors is related to personal decisions of the entrepreneurs and decisions related to how they are managing their entrepreneurial ventures. For impact investors they view such actions as signals of the entrepreneur's prosocial intention and social mission.

When it comes to managing the three ventures, with the perspective of creating impact, two companies mentioned general approaches to impact management whereas one company talked about general values.

Both venture 2 and venture 3 mentioned that specific policies were implemented to align with the company's sustainability targets. For both these ventures they referred to sourcing material from close geographical locations as a way to avoid unnecessary environmental costs. Venture 2, for instance, mentioned that sourcing from China could be an example of such environmental costs where they would need to think carefully before or if doing so. Venture 3 also mentioned that avoiding air travel if possible is another one of their policies.

The entrepreneur of venture 1 instead argued that they are working in a dynamic and ever-changing environment and in that way specific policies may be hard to implement and therefore not crucial for them in their day-to-day operations. Instead, they are working on the team's pre-aligned values as guidelines rather than specific management policies.

Impact Prospects

A fourth dimension that Dumont (2024) finds as an important criterion for impact investors is related to the impact prospect of the ventures, which aim to ensure that the claimed social impact is aligned with expectations of their investments. Again, this is a way for impact investors to view such actions as signals of the entrepreneur's prosocial intention and social mission.

In the context of selling the venture in the future, all the three entrepreneurs have a similar line of thought, that the goal of their ventures is at some point to make an exit and a profit on it. Simultaneously, they mean that they alone have limited decision-power and that the investors will be at the forefront of such a decision.

Venture 2 says that if the right offer comes along, everyone in the board will accept it. For the time being, the goal is to sell the company within 5-7 years. Venture 1 speculates that it can be an opportunity for their venture to merge into a larger company group and generate more impact in that group with larger resources of such a company. At a personal level, such a venture sale could moreover result in "life-changing money" for the entrepreneur.

Venture 3 claims that they have so little ownership left in the venture that they don't have any control of potentially selling the company. However, if the entrepreneur of venture 3 could decide about the terms of an exit, it is their wish that their company will continue to aim to generate as much impact as possible after their departure.

Similarly, venture 1 mentions that they need to earn money to be able to continue to create an impact. In the case of a future exit, the venture team is aligned in that they wish that their company will continue to have a strong sustainability profile after a company sale.

Impact Credibility Assessment Reflections

A second set of questions to the entrepreneurs, are related to reflection on the interaction between ventures and their investors and how the collaboration potentially influences the sustainability endeavours of the investigated ventures.

For one of the venture's, the entrepreneur has the impression that the collaboration with investors has positively influenced the company's sustainability work. For the other two ventures, they argue that they need to promote sustainability objectives within the venture team, without the support from their investors.

According to venture 2, sustainability initiatives have been positively influenced through dialogue in the board. Especially, considering their investors have a clear sustainability profile, they encourage and push for various initiatives in this direction. For example, some investors require quarterly sustainability reports from the venture to monitor progress in this area. However, since many aspects of the venture are under development and therefore not fully implemented, the entrepreneur argues that the most important positive influence from investors related to sustainability endeavours is related to the venture vision.

For venture 3, on the other hand, the experience of the entrepreneur is that in the collaboration with investor's, their interest and prioritization is on costs and sales development. When it comes to implementing sustainability goals, the entrepreneur means that such aspects of the venture need to be pushed within the venture team in the dialogue with investors, rather than investors pushing the venture to pursue certain such sustainability goals. The entrepreneur, moreover, speculates that in case legislation becomes more rigid, sustainability goals would interest their investors more strongly.

Similarly, venture 1 argues that sustainability is driven from the venture team. The entrepreneur of venture 1 means that it doesn't exist a clear case in which an investor has tried to influence the venture's sustainability direction. The investors priority has instead been on the company to make a profit, so that investors can generate a return on their investment. From venture 1's perspective, the focus of their dialogue with

investors. has been related to profit of the venture. When it comes to developing the venture vision, including sustainability goals, those are driven internally by the entrepreneurs of venture 1 and the venture team, and not by the investors. Thereby, they have a similar experience as venture 3.

4.2.2 Sustainability Tensions

A third and final set of questions and investigations is related to sustainability tensions, that refers to the potential challenges in balancing financial performance with sustainability endeavours in entrepreneurial ventures, and how the venture-investor interaction potentially influences it.

One of the ventures argue that its investors are actively supporting sustainability work in the company whereas two of the ventures instead experience that their investors first and foremost care about financial performance and have limited interest in the potential environmental impact that the ventures aim for. All the three ventures, however, agree that they wouldn't push their investors to change the investors own sustainability goals. Rather investors have the power to push the ventures, but the other way around seems less likely for the ventures.

When venture 2 has been searching for investors, they have actively partnered with investors that have sustainability profiles. In that way, they have been able to ensure that the board is aligned with sustainability topics. In that way, they have especially been able to have a good dialogue regarding product development, where the venture wants to have a significant positive sustainability footprint. For example, investors have advocated to not advance product launches, to make sure that all product requirements are in place. Other examples of good collaboration between investors and the venture have been discussions on whether the product already at development stage, that is the minimum viable product, must be a circular solution or if it can be a consumable in the product test stages.

Venture 3 notes that among their investors none seem to care about sustainability goals or have any specific targets around it. Additionally, the sustainability endeavours that the venture reports to investors, are most likely not going to be missed if they stopped reporting them to the investors. In that sense, the entrepreneur, moreover, means that financial performance will always play a more important role for the investors in the venture-investor collaboration. In addition, if venture 3 only spoke about sustainability with their investors and not included the financials, no one would invest in the company. For instance, when it comes to promoting their products in the market, the investors key focus has been on what margins at product-level they should deliver. As a result, venture 3 is more intensely looking for investors that have higher sustainability ambitions.

The entrepreneur of venture 1, stated that their investors primary interest in the venture is to make money out of it. Then investors, at individual level may still be interested in sustainability issues that the venture tries to solve. Venture 1 moreover argues that in the end, if the financial objectives of the venture aren't reached there cannot be any sustainability goals either. In that sense the entrepreneur agrees with the investor perspective. In line with this statement, venture 3 pivoted from an industry where their solution could potentially generate a significant positive environmental impact. However, as the returns in that industry were not attractive enough, they decided to pivot their business to an industry that has more attractive margins, but where they simultaneously can keep their sustainability at core of their venture development. The preparation of the pivot was developed operationally by the venture team, but it was influenced by the investors profit perspective.

4.3 Framework for Data Analysis of the Findings

This section presents an illustration of the research approach and structure of the data, and can be seen as the bridge between this study's findings presented in this section, and the following case discussion and conclusions in the next sections.

The framework in figure 1 follows Tracy's (2020) approach to analyze qualitative data based on interviews, that is discussed in the method section. This approach suggests first consider all the interview data, and catalogue it in first order descriptive codes that are derived from the findings. Following the descriptive codes, the approach suggests conceptualizing them into second order hierarchical analytical codes. Ultimately, this results in the study's unique contribution to broader research. In that way, the figure aims to summarize an indicative pattern within the findings from investors and the ventures, and thereby act as a bridge between this study's findings and below discussion and conclusion.

The first order descriptive codes in this study is summarized in key findings from investors' input and entrepreneurs' input, that summarizes indicative patterns in the responses from each group. For example, investor patterns in the findings include a focus on one perspective that focuses on the venture's business development, among others. On the entrepreneur's side a pattern in the interview responses indicates that all the entrepreneurs are purpose oriented in their ventures, among others.

The descriptive codes are in the next step consolidated into second order analytical codes that are based on the findings from the interviews and intended to reflect the dynamics of the investor-venture interaction in their collaboration. Three patterns related to the investors' intentions and motivation emerge. This is related to financial performance ,sustainability impact performance, and control of the venture. One entrepreneur pattern emerged related to the ventures intention and motivation, namely generating sustainability impact in the respective industry.

The second order analytical codes are additionally complemented with two broad theoretical perspectives on value creation in ventures, that is shareholder value maximization and stakeholder value maximization, that summarizes the study's findings from a holistic perspective.

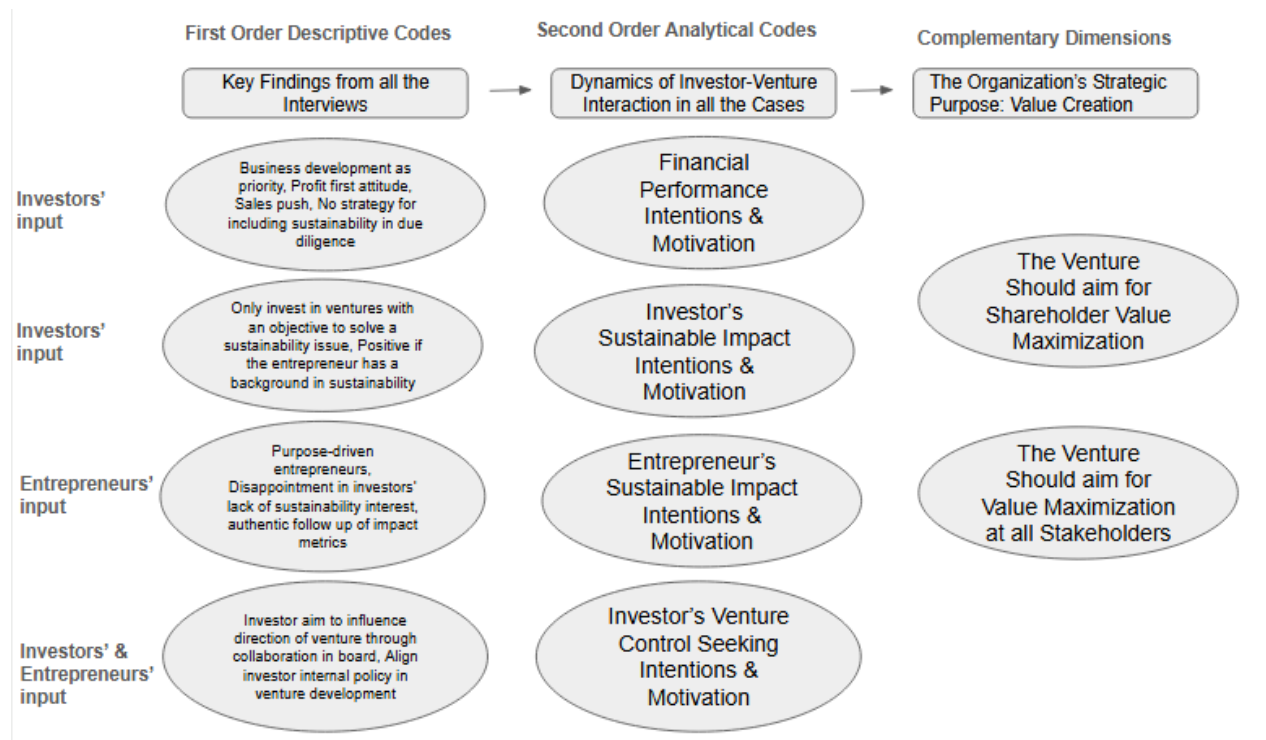


Figure 1: The figure illustrates the first order descriptive codes, second order analytical codes and complementary dimensions that are used to analyze the data and summarize indicative patterns from the research.

5 Discussion

The following chapter will discuss the findings from each Investor-Venture case pair, with the focus of addressing the core research question of what way investor-venture interactions influence the sustainability impact of early-stage ventures and their investors. For each case, the discussion will begin with an examination of Dumont's (2014) framework regarding impact credibility assessment, followed by an exploration of sustainability tensions, motivational factors, legal interactions, and value creation.

5.1 Case A: Venture 2 - Investor 2 (Corporate)

5.1.1 Sustainability Impact Credibility Reflections

In this case, the investor places substantial emphasis on evaluating the credibility of entrepreneurs' sustainability impact promises, aligning closely with Dumont's framework. Both the investor and the venture describe a close relationship with a joint focus on sustainability, with the investor acting almost as a mentor to the venture. This cooperative relationship most likely has a positive influence on sustainability impact in the venture.

The venture appears to have a good awareness and intent of measuring its positive environmental impact of the offered solution to their customers. Additionally, we find that the entrepreneur's track record is relevant and has a positive influence for the investment decisions by the investor. In the venture, the entrepreneur has a personal goal of contributing to the social good and can therefore be somewhat considered as aligned to Dumont's framework. Moreover, impact management, both the venture and investor perspective can be seen as aligned, where the investor from its holistic perspective emphasizes working with indicators continuously that points in the direction that sustainability implementations are made, considering the difficulties it is to foresee long-term impact of early-stage companies.

From the operational perspective, the venture is looking more directly to source the material from nearby locations or which applications they can have the most impact in. On the other hand, the evidence related to impact prospect is more ambiguous, but points in the direction that both the venture and the investor has a long-term vision of the company, although the entrepreneur mention that an exit can be highly attractive from a personal economic perspective, which according to Dumont's framework can be viewed as less authentic in terms of achieving sustainability impact.

5.1.2 Sustainability Tensions

In this case pair, there appears to be an alignment between the investor's sustainability intentions and the entrepreneur's sustainability intentions. Thereby a good foundation can be said to be established in the collaboration between the investor and venture when it comes to its mission and vision for the venture development.

To begin with, the entrepreneur argues that to mitigate potential tensions, they have spent a good amount of time finding the right investors for their company. This is to ensure that the board and the operation in the board works in the same direction. This is perfectly in line, for example how Hisrich (2017) suggests that ventures go about, carefully choosing investors to collaborate with. Similarly, the investor clearly states in his responses that they are only searching for investments in companies that have the potential through their products and innovation can contribute to the sustainability transformation of society.

The entrepreneur also provides examples of how the dialogue related to sustainability endeavours is supported by the investors at a strategic level, both when it comes to the venture vision development as well as which decisions to make in the product development. For example, the entrepreneur stated that their investor had been very helpful in finding a balance between if a minimum valuable product needs to be circular from the beginning or if it's sufficient that it is a consumable during early-stage product development.

Both the investor and the venture describe few sustainability tensions, primarily because both organisations have effectively integrated financial and sustainability goals, as illustrated in the resolution process described by Glinik et al. Interestingly, both the investor and the entrepreneur point to customers rather than each other as the primary source of sustainability-related tensions. The entrepreneur highlighted a specific scenario where the investor advocated for higher sustainability standards in the initial product development, suggesting strong alignment on sustainability. Perhaps the alignment between the venture and the investor in regards to sustainability goals makes the customer the main source of tension. This contrasts with other cases, which focuses more on customer demands than sustainability.

5.1.3 Venture Capital Investor's Motivation

The investor demonstrates characteristics consistent with strategic-oriented motivations rather than purely financial performance intentions. Additionally, unlike the other ventures in the study, the entrepreneur does not perceive investors as solely profit-driven. Given that this investor is a Corporate Venture Capital (CVC) entity, this sentiment is aligned to the current theory that CVC investors are more likely to be strategic-oriented investors. In this case, the parent organization behind the CVC

investor may be directing the investor to seek strategic insights into green technologies for market expansion or potential mergers and acquisitions.

This alignment in sustainability vision likely enhances the sustainability impact potential of the venture compared to ventures purely funded by financially motivated investors. However, CVC investors typically seek greater control, often negotiating rights such as the first right of refusal on future acquisitions. Consequently, the degree of sustainability impact becomes heavily dependent on investor decisions, and less power is given to the entrepreneur and customers. Hence, CVC can effectively promote sustainability impact when their strategic objectives align with the venture and sustainability ambitions. But, a shift in the parent company's interests, such as it losing interest in the venture company or starting to see the new green technology as a threat, could jeopardize the venture's sustainability impact outcomes. This is because the investor likely has the control needed to effectively doom the venture to bankruptcy.

5.1.4 Entrepreneur's Motivations

The entrepreneur demonstrates intrinsic motivation towards sustainability in this greentech venture. As mentioned above, the entrepreneur argues that a central personal ambition with the venture is to be able to contribute to create value through the venture's positive impact. At first glance, the mutual focus on sustainability between investor and entrepreneur suggests aligned motivations. However, it is important to remember that the CVC investor's commitment to sustainability likely stems from external obligations imposed by the parent company, making their motivation primarily extrinsic. Although this difference in intrinsic (entrepreneur) and extrinsic (investor) motivations currently causes no apparent friction, any shift in the parent company's strategic objectives could potentially negatively affect the investor-entrepreneur relationship.

5.1.5 Legal Interaction

The entrepreneur clearly indicates that the investor holds substantial control over the venture, for instance through clauses in the stakeholder agreement. The entrepreneur describes the legal interaction as containing power dynamics where she/he could neither influence the investor's business practices nor tell the investor to prioritize sustainability goals as the venture does. Despite this imbalance, the entrepreneur does not express negative feelings toward the relationship. Instead, they display understanding and acceptance, emphasizing that such dynamics are typical and expected when engaging with VC and CVC investors.

The entrepreneur suggests that viewing investors as partners and choosing those aligned with the venture's vision is critical in order to reduce the legal imbalance.

Bringing on an investor who has a different agenda or ambition, i.e., beyond creating sustainability impact in the venture, than what the entrepreneur has is described as probably being very challenging for the venture.

5.1.6 Value Creation

As described in the theory section, the overall long-term purpose of a firm is long-term survival (Grant, 2022). For this to come about, the firm needs to create value one way or another. Value can from a venture perspective be said to focus on value for all relevant venture stakeholders or to focus on shareholder interests, i.e., profit maximization (Grant, 2022).

The above discussion of Case A points toward a venture that is looking to contribute to solving a sustainability challenge in their industry, also endorsed by their investor in their working relationship. In that sense, this case indicates that there is a positive influence on undertakings related to sustainability impact in the venture, which appears to embrace a strategy of maximizing the value for multiple external stakeholders, and not just the shareholders.

5.2 Case B: Venture 1 - Investor 1

5.2.1 Sustainability Impact Credibility Reflections

In this case, the investor clearly prioritizes financial performance over sustainability impact and, therefore, appears less concerned with assessing the entrepreneurs' credibility regarding sustainability impact promises. The investor points towards a lack of adequate guidance from their own owners' on how to implement the sustainability perspective in their investment decisions. This is the reason for not actively aiming to measure the sustainability impact of the ventures that they invest in. For such reasons, both the investor and the venture acknowledge that, at an early stage, fully prioritizing sustainability policies in a venture can be challenging.

The venture notes that their investors want to talk about sustainability in their communication channels. But in their actual investor interaction they still spend less than 5-10 percent of their conversations on topics related to sustainability. The entrepreneur speculates that sustainability is merely a background theme, with the purpose just to look good. Instead, other economic topics related to financial performance are more central in their collaboration with investors.

In line with this, the entrepreneur made a significant pivot of their venture and moved from one industry to another, as the profit potential appears to be higher in the new industry. This decision was developed at the operational level in the venture and

presented and accepted at board-level. Nonetheless, the pivot was in part triggered by their investors, who argued that the profits in the venture's first target industry was perceived to be too small and therefore less attractive. This is despite the statement of the entrepreneur in this venture, that significant positive environmental impact could be accomplished in the first target industry.

Along Dumont's (2024) impact track record dimension the venture's founding team in the early stages of their process, aligned that they aim to have a positive social and environmental impact arising from their venture, and not only have a profit perspective in the venture journey. On the one hand, that points to the presence of a sustainable entrepreneurship intention being at the core of the venture's objectives.

The venture's investor on the other hand argues that the focus of a venture needs to be to develop the business case that can generate a return. The investor emphasizes that when the venture is hiring its 20th team member, that could be the first team member that can start focusing on sustainability aspects, such as compliance reporting. This can be seen as an indicator of a potential mismatch between investor and venture, in terms of gaining support from the venture capital firm to fulfil the venture's strategic objectives related to sustainability impact.

The investor states that for the time being their learning journey related to sustainability impact focuses on compliance reporting. This statement can be seen as reactive to trends rather than actively driving societal sustainability transformation. This, coupled with the investor's viewpoint on a ventures' hiring policy, may furthermore suggest less ambitious sustainability-related investment intentions compared to the existing ventures' vision.

5.2.2 Sustainability Tensions

The investor attempts to balance financial and sustainability goals, but as it does not actively push the venture beyond establishing basic sustainability targets, the investor struggles to identify sustainability tensions. The venture in turn, clearly describes existing sustainability tensions. The entrepreneur notes that although the investor's financial focus contributes to these tensions, they nevertheless express considerable understanding of the investor's financial expectations. In this case, both entrepreneurs and investors favored markets with clearer commercial potential, prompting a shift towards a more profitable market despite its lower sustainability impact. This action demonstrates a clear avoidance strategy (prioritizing one goal over another).

The findings point to higher sustainability impact intentions and ambitions from the venture side, than from their investors. However, both investor and venture appear to have a perspective that generating profit is crucial for being able to contribute to the sustainability transformation going forward. Nonetheless, this case suggests that a

product that solely has the potential to generate a significant positive sustainability impact is not good enough from the investor's perspective where profit is seen as more important. It therefore appears that the venture gains little to no benefit from their investor interactions in advancing its sustainability efforts.

5.2.3 Venture Capital Investor's Motivation

This investor appears to prioritize financial returns more than strategic outcomes, especially when it comes to generating sustainability impact. This is also supported by the fact that the entrepreneur agreed to the statement that investors do not genuinely prioritize sustainability goals. The entrepreneur concluded that VC investors always prioritize financial considerations, and suggested sustainability is often treated merely as a hygiene factor or driven by the requirements of the investment firm's own backers.

5.2.4 Entrepreneur's Motivations

The entrepreneur demonstrates intrinsic motivation toward sustainable entrepreneurship but also acknowledges being subconsciously influenced by investors. They show considerable awareness of the investor's priorities, indicating some alignment between the entrepreneur's vision and the investor's objectives. In addition, the entrepreneur shared the investor's mindset that if the venture does not make a profit, then they will not be able to make any positive impact at all. Compared to other investors, this investor places less emphasis on sustainability as such, focusing instead on ensuring that sustainability goals align with core business activities of the venture. While motivation discrepancies between investor and venture persist, they appear less critical in this particular interaction, in the way that the entrepreneur is aligned with most investors' intentions to prioritize financial performance, at least as a way to create sustainability impact in the long-term.

5.2.5 Legal Interaction

The entrepreneur clearly describes the investor as exerting significant control over the company, highlighting numerous legal clauses designed to protect investor interests, particularly regarding achieving a successful exit. The entrepreneur emphasizes the importance of open dialogue among all shareholders concerning future visions and objectives. The entrepreneur notes that the primary interest of the investors in general is to generate an economic return, and that the sustainability focus is dependent on individual preferences of the investor. In that way, these legal constraints can reduce the venture team's possibilities to focus on sustainability impact over time.

5.2.6 Value Creation

From the above discussion it appears that both investor and venture embrace the perspective that profit and thereby maximizing the shareholder value can contribute to the sustainability transformation. As the entrepreneurs in the venture formulated it; “without profit we don’t have any possibility to generate impact” in the future.

5.3 Case C: Venture 3 - Investor 3

5.3.1 Sustainability Impact Credibility Reflections

The investor shares some similarities with Dumont’s framework, however, significant differences emerge in the investor’s approach. The investor places greater emphasis on the venture’s business model and financial returns rather than prioritizing demonstrated credibility in sustainability ambitions.

The venture in turn, displays a great deal of credibility in its sustainability impact intentions. Despite the venture’s clear credibility in this regard, the investor maintains a primarily economic focus, while the entrepreneurs need to drive the sustainable development of the venture themselves. Sustainability, therefore, appears more as a secondary criterion where the investor adopts a largely hands-off approach. This dynamic does not necessarily negatively impact long-term sustainability of the venture, but may hinder short-term sustainability efforts, prioritizes and strategic intent in this direction. In this sense, the investor acts predominantly as an enabler, through capital and basic sympathy with the issues of sustainability, rather than a proactive driver of the topic.

The venture has a high level of focus on developing and communicating impact metrics in line with Dumont’s impact metrics dimension, as well as validating its sustainability impact with energy- and water savings metrics through studies at customers. However, according to the venture, this work doesn’t receive much attention from investors. However, according to the entrepreneur, customers find it important to discuss sustainability aspects in their exchange. Instead, the venture means that their investors emphasize the importance of focusing on sales activities. If the venture wants to promote social and environmental objectives, the entrepreneur means that they need to push that themselves in their interaction with investors.

In line with this, the investor acknowledges that they don’t follow up their venture’s sustainability claims in detail, and argue that early-stage ventures need to focus on developing their business. That is, according to the investor, working too much on sustainability in the early stages of venture development, takes focus from establishing the business. This is not to say that the investor in this case, doesn’t care about sustainability impact. Instead the investor means that in today’s business

context, sustainability should be an integral part of the business one way or another. However, the investor also stated that the sustainability impact focus becomes more important as the venture grows and becomes more mature.

5.3.2 Sustainability Tensions

While the investor emphasizes the necessity of a sustainable business model integrating financial and sustainability goals, financial returns consistently take precedence. The investor only notably pushes for increased sustainability when regulatory stakeholders demand it. Consequently, the venture identifies significant tensions between achieving financial returns and sustainability impacts, as well as emphasizing the difficulty in accommodating stakeholders expectations, aligning with the theory from Glinik et al. (2014). According to the entrepreneur, the investor makes the tensions worse by strongly prioritizing profitability. This interaction exemplifies Glinik's separation case, where sustainability goals are deferred until financial stability is achieved, a situation largely driven by the investor's priorities.

The sustainability tensions present in this case was expressed by the entrepreneur as disappointment in how their investors approach the sustainability dimensions of the venture. More specifically, the entrepreneur speculated that investors wouldn't care if they stopped their sustainability reporting to them, and that investors first and foremost prioritize profit. This attitude is reinforced by the investor who described that their primary objective is to follow their investment philosophy, which emphasizes a strong expectation of return on investments. Ultimately, it means that from investor 3's perspective, the financial performance metrics and company performance is more important than sustainability performance metrics in 9 out of 10 cases. Moreover, the investor argues that if sustainability work within a venture receives too much attention, it would reduce the amount of time that can be allocated to sales calls and thereby reduce the focus on the business development and operational work within the venture. The latter type of business development needs to be prioritized according to the investor.

5.3.3 Venture Capital Investor's Motivation

The investor explicitly states that traditional investors prioritize return on investment over sustainability goals. This aligns with the entrepreneur's perspective that, apart from impact-focused investors, most venture capitalists show minimal genuine interest in sustainability impacts. The entrepreneur further suggests that the investor would likely not question missing sustainability data if not explicitly provided. This indicates a clear prioritization of financial returns, typical of traditional venture capital investors. Both the VC firm and its investment managers likely face considerable pressures to secure high financial returns through successful exits. Additionally, sustainability demands from the VC fund's own investors might

mandate a basic compliance with sustainability criteria, but these remain basic and foundational rather than transformative.

5.3.4 Entrepreneur's Motivations

In contrast to the investor, the entrepreneur demonstrates distinctly different motivations, primarily driven by personal experiences which creates a strong intrinsic motivation. This is very much displayed by the entrepreneur's attitude that it would be embarrassing not to work with sustainability, and that she/he would not be able to morally motivate herself/himself working at a workplace, just because the salary is high. In line with the McMullen-Shepherd model, this intrinsic and enduring motivation significantly enhances the entrepreneur's willingness and potential capability to pursue sustainable entrepreneurial actions, even with limited extrinsic rewards.

This motivational discrepancy between the investor and entrepreneur creates a significant motivational gap, contributing to friction within their interaction. Furthermore, the investor emphasized the importance of the entrepreneur's personal commitment to sustainability and the investor's alignment with the entrepreneurs' vision, which is due to the investor's financial priorities, a contradictory strategy that can be said to further deepen the motivational discrepancy.

5.3.5 Legal Interaction

The entrepreneur characterizes the investor as exerting substantial control over the company, especially concerning exit and strategic decisions. One clear example of the investors' control was that the entrepreneurs wanted to sell their first product version to a lower price than the investors, but because of the investor control in the board of directors they voted against the entrepreneurs and decided to sell the product to a higher price with higher margins, reducing the number of sales significantly. This exemplifies the considerable investor control over the venture.

Additionally, the investor describes the legal relationship as notably one-dimensional and power-imbalanced. The investor's explicit ownership agenda suppresses open dialogue, discouraging entrepreneurs from expressing concerns regarding insufficient prioritization of sustainability. This legally backed power dynamic restricts entrepreneur's autonomy, which is vital for sustaining motivation. Consequently, the investor's control mechanisms potentially diminish the entrepreneur's intrinsic motivation toward sustainable entrepreneurship, reducing their ability to take sustainable entrepreneurial action.

5.3.6 Value Creation

In case pair C, when it comes to value creation, the investor repeatedly stresses the importance of return on their investments and can thus be seen to be aligned with shareholder value maximization perspective in its strategy. The entrepreneur first and foremost wants the venture to generate sustainability impact, but acknowledges that if they only talk about sustainability with investors, they would not receive any investments. Therefore, they need to focus on financial aspects when talking to investors.

5.4 Summary of Discussion

The objective of any venture is creating value to be able to survive in the long-term. Broadly speaking, there are two schools of thought, one which emphasizes that the firms should maximize their shareholder's value, another that emphasizes that firms should aim to maximize all involved stakeholder's value, from owners, customers and the surrounding community (Grant, 2022).

In this study all investigated ventures can be said to be sustainability impact driven. Among the venture capital firms, it seems that the investor (from case A) with the strongest sustainability impact-profile is in line with the stakeholder value-maximization perspective and thus reasons similar to impact investors that are described by Dumont (2024). The other two investors seem more traditional in their reasoning, and focus more on shareholder value maximization, in line with economic theory. Nonetheless, it is clear that all investors acknowledge sustainability work as critical for future venture success. As one of the investors put it, if the ventures we invest in can create positive publicity for them themselves, it will help the venture development.

For the three cases there thus exist some various perspectives. When it comes to the interaction dynamics in investor-venture case pair A, the findings seem to suggest that there is a positive influence on sustainability impact in the venture. This is supported in the interaction between the two stakeholders, originating from ambitious sustainability intentions from both sides, that appears to embrace a strategy of maximizing the value for multiple stakeholders, with the purpose to benefit the venture development while contributing to generate sustainability impact for their customers in the target industry.

The discussion related to case pair B, points towards high sustainability impact intentions of the entrepreneur, but more reactive sustainability impact intentions by the investor. The dynamics of the investor-venture interaction seems to have a more traditional focus on financial performance and developing a general business case, rather than optimizing various sustainable product offerings to the market for the venture. All in all, this could indicate a potential mismatch between entrepreneur and

the investor when it comes to the ventures intentions to deliver on sustainability impact goals.

The discussion related to case pair C, suggests that the sustainability impact perspective in the venture development process is first and foremost advocated from the entrepreneur, who appears to have profound intentions to generate sustainable impact from its investors. The investor believes that sustainability impact becomes more important as the venture grows and becomes more mature. The observations in this case could therefore also indicate a potential mismatch between entrepreneur and the investor in terms of the entrepreneurs intentions to deliver on sustainability impact goals.

The discussion thus reveals several key observations. Notably, ventures tend to have more ambitious sustainability intentions than their investors. This is particularly evident in Venture 3, where sustainability is a core part of the company's mission and a strong personal motivator for the entrepreneurs. Cases B and especially case C, suggest a potential mismatch in the sustainability goals between ventures and investors. This mismatch may stem from the entrepreneur's limited venture development experience at the outset, possibly leading to oversights in their due diligence, when selecting a venture capital firm. To better align with their purpose and vision, the ventures could benefit from having investors on their board who more strongly advocate for sustainability impact, especially since these issues appear to be more important to the venture than to its current investor.

This study indicates that investor-venture interactions significantly influence the sustainability impact of early-stage ventures, with distinct differences observed between traditional Venture Capital (VC) and Corporate Venture Capital (CVC) investor interactions.

For VC-backed ventures, the interactions have a dual nature. On one hand, financial interactions are critical enablers of sustainable entrepreneurship, since the availability of capital directly determines the ventures' ability to pursue their sustainability ambitions. Additionally, sustainability criteria, albeit basic, imposed by the investors' own backers, indirectly support ventures pursuing sustainability-focused business models. However, beyond financial enablement, other interactions largely generate negative effects on sustainability impact. Key issues include heightened sustainability tensions, significant motivational discrepancies between profit-oriented investors and intrinsically motivated entrepreneurs, and power imbalances supported by one-dimensional legal frameworks. These conditions suppress open dialogue on sustainability and can significantly diminish entrepreneurs' intrinsic motivation to prioritize sustainability, often leading ventures to prioritize financial stability at the expense of immediate sustainability goals.

Conversely, interactions between ventures and CVC investors may hold a greater potential for positive sustainability impact. This is primarily due to strategic alignment on sustainability goals, reduced pressure for immediate financial returns, and more balanced motivational alignment between entrepreneurs and investors. CVC investors, guided by strategic rather than purely financial objectives, often take on mentorship roles, enhancing mutual trust and facilitating a proactive push for higher sustainability objectives. However, the reliance on strategic alignment carries risks; a shift in the parent company's strategic intent can rapidly destabilize sustainability commitments, thereby undermining the venture's long-term sustainability outcomes.

6 Conclusion

The aim of this study has been to explore under what circumstances and in what ways the dynamics of the investor-venture interaction influence the sustainability impact during the venture development. Our findings show that the landscape is complex when it comes to sustainability considerations in the investor-venture interactions, however, three patterns appear to be prevalent.

First, we find that there's a significant variation between various investors in their strategic purpose in terms of what value creation they chose to prioritize in the collaboration with the ventures they invest in. Either they focus primarily on financial performance, or they complement financial performance with a strong sustainability impact intention. It appears that one group of investors are very advanced in how they prioritize sustainability in the dialogue with the ventures they invest in. In contrast, another group of investors are acknowledging the importance of sustainability, but they are in the first tentative steps of how to integrate the sustainability criteria in their investment philosophy. Additionally, for the time being they lack the right tools to do so.

A second aspect that appears to influence the focus on sustainability impact in the investor-venture interaction is related to timing, and the maturity of the venture. The findings in this study indicate that the longer into the journey, and the more profitable the venture becomes, the more likely it seems that investors will endorse sustainability work in the venture. This is the situation in both case B and case C. This group of investors appear to reason that early-stage ventures need to focus on developing their business case and become profitable first. Thereafter, when they become more established as a venture they can pursue sustainability impact work more actively in their operations.

Thirdly, the individual objectives and purposes of the investor and entrepreneur respectively, influences the dynamics of the investor-venture interaction related to sustainability impact in the venture. That is, if either or both, the investor or the entrepreneur has sustainable performance intentions for the venture development in mind, that also seems to positively facilitate the development of offering more sustainable products in the venture. More specifically, the strategic fit between the stakeholders seems to be crucial to generate sustainability impact within the venture. For example, as in Case A, it can be observed that a venture with the purpose to generate sustainability impact will positively benefit from collaborating with investors that advise with both passion and competence, as well as an investor that has sustainability impact on the top of their agenda too. In this scenario, the dynamics of the interaction seems to be the most efficient and effective, when it comes to generating sustainability impact.

To conclude, while venture-investor interactions inevitably affect sustainability impacts, the nature of these effects greatly varies depending on the type of investor. Traditional VC interactions provide essential financial resources but introduce significant tensions and motivational misalignments that often undermine immediate sustainability ambitions. CVC interactions in this study, on the other hand, foster conditions more conducive to sustainability impact, contingent on sustained strategic alignment. Ultimately, to maximize sustainability impact, it is important that the venture's sustainability vision and investor's strategic ambitions genuinely are aligned, so that the investors provide both financial and strategic support without undermining the entrepreneur.

6.1 Theoretical Contributions

This thesis offers several important contributions to the theoretical understanding of sustainability in entrepreneurial ventures. First, it advances our knowledge of sustainability tensions within venture–investor relationships. It demonstrates that tensions are not only internal struggles for entrepreneurs but are substantially affected by external stakeholders, notably investors. When investors prioritize financial returns above sustainability, ventures experience pronounced tensions, often resorting to delaying or minimizing sustainability goals. Conversely, ventures partnering with sustainability-aligned investors benefit from reduced tensions and enhanced integration of impact and profitability objectives.

Second, the research deepens the concept of impact credibility in the context of entrepreneur–investor interactions. This study reaffirms that establishing credibility is crucial for entrepreneurs. Furthermore, this study expands the concept of impact credibility by showing a relational dimension. Entrepreneurs' credibility regarding sustainability is not static; it depends significantly on investors' priorities. Ventures interacting with genuinely sustainability-focused investors use credible metrics and transparent practices to reinforce mutual trust. In contrast, ventures with financially-driven investors find credibility primarily useful for engaging other stakeholders like customers, highlighting that credibility is dynamically constructed within stakeholder relationships.

Third, this thesis contributes to the literature on investor–venture alignment with respect to sustainability goals. The research confirms that alignment in sustainability goals between investors and ventures is essential for long-term impact. The research underscores the importance of selecting investors whose strategic objectives align with a venture's mission, noting that aligned investors actively support and even elevate ventures' sustainability ambitions.

6.2 Practical Contributions

In addition to theoretical insights, this research carries practical implications for several groups such as entrepreneurs, investors, and those in positions to shape the entrepreneurial ecosystem such as policymakers or support organizations.

Entrepreneurs are advised to strategically select investors based on shared sustainability objectives, emphasizing alignment to avoid future conflicts. They should transparently communicate their sustainability vision and actively manage tensions by clearly demonstrating how sustainability contributes to long-term business value. Not least considering that the expertise and interests of investors appear to vary greatly in regards to sustainability impact. Similarly, entrepreneurs with bold ideas can require and expect more knowledge and support related to developing new sustainable products and services from their investors in that interaction.

Investors gain a clearer understanding of how their interactions shape the sustainability direction and decisions of early-stage ventures. Venture capital investors can aim to more strategically incorporate sustainability performance metrics in the due diligence process. As an important source of capital to ventures they can play a more important role in the transition to more sustainable products and service offers in various markets and industries. Rather than viewing sustainability as an external condition to assess, this research highlights how investor expectations, values, and interaction styles can directly influence entrepreneurial priorities and motivations in a venture. Practically, the study suggests that long-term growth and impact are better supported when investors engage in open, trust-based dialogue with entrepreneurs and seek alignment on both financial and sustainability goals from the outset.

Policymakers and entrepreneurial ecosystem supporters can leverage these findings by designing incentives and frameworks that promote alignment between venture financing and sustainability. Encouraging standardized sustainability reporting and offering incentives for impact-aligned investments could significantly foster more consistent sustainability integration across early-stage ventures.

6.3 Future Research

While this thesis has shed light on the complex dynamics between stakeholder interactions and sustainability impact, it also raises new questions for further exploration. One immediate direction for future research is to examine the longitudinal effects of stakeholder alignment. The current study looked at ventures in a snapshot of time, so an open question is how the investor–venture relationship evolves as the venture grows and possibly as investors change. Understanding how

relationships evolve over time and through different growth stages would offer valuable insights into maintaining sustainability goals throughout venture lifecycles.

Another promising area is to broaden the scope beyond investors to other stakeholders and see how they interact in the sustainability journey of a venture. Entrepreneurial ventures also interact with customers, suppliers, community groups, NGOs, and regulators. Future research could explore questions like how customer expectations for sustainability (or lack thereof) compare to investor expectations in driving venture behavior.

Finally, future research could examine different types of investors and industries beside cleantech in greater detail. Our study hinted at differences between private venture capital, public venture capital, corporate venture arms, and impact-focused funds in how they approach sustainability. A deeper comparative analysis with a larger sample of each investor type in different industries could reflect on if impact investors consistently lead to better social and environmental outcomes, or are there trade-offs in terms of venture scalability?

7 Appendix

7.1 Interview questions - English

7.1.1 Questions to Ventures - ENG

Intro

1. What type of investments have you received?

Impact Metrics

2. How do you define your sustainability objectives to investors?
3. How do you communicate your sustainability objectives to investors?
4. Have you experienced any challenges in demonstrating credibility of your sustainability commitments to investors?
5. Can you walk us through how you measure and validate your sustainability impact?

Impact Track Record

6. What past experiences specifically motivate you to address your sustainability objectives, and how do you communicate this to investors?

Impact Management

7. What internal policies have your venture implemented in order to align with your sustainability objectives?

Impact Prospects

8. Under what circumstances would you sell your venture, and how may your investor influence that choice?

Dumont Aspects Reflection

9. How has investor interaction affected your sustainability objectives, internal sustainability management and sustainability prospects?

Example given:

- a. Metrics Objectives and Measurement practises
 - b. Internal Policies and Operative Decisions
 - c. Implementation timeline and Long-term Vision while scaling
10. Which of these aspects (objectives, management, and prospects) have been affected the most by investor interaction?

Sustainability Tensions

11. What, if any, are the key tensions you experience between your sustainability and financial objectives?

12. How have investor interaction influenced these tensions between your sustainability and financial objectives?
13. Are you pushing your investor to reach for more social or environmental goals, or do you actively only seek out investors with those goals to start with?
14. Can you give an example of a difficult tradeoff you faced between social/environmental impact and commercial goals? How did you resolve it? What was the root cause of the tradeoff?

Ending

15. Is there anything else about how investor interaction influences your sustainability impact that we haven't covered?

7.1.2 Questions to Investors - ENG

Impact Metrics

1. Can you walk us through how you define a venture's sustainability objective?
2. Can you walk us through how you measure a venture's actual sustainability impact?

Impact Track Record

3. Can you share an example where an entrepreneur's track record significantly influenced your investment decision in a social/environment-focused venture?

Impact Management

4. How do you evaluate whether a venture's operational decisions genuinely prioritize sustainability alongside financial returns?

Impact Prospect

5. How do you ensure that your impact prospect aligns with the entrepreneur's impact prospect?
6. When you exit a portfolio company, how do you ensure that the next owner will have the same vision and ambitions regarding sustainability as you have had?

Dumont Aspects Reflection

7. How has venture interaction affected your sustainability objectives, internal sustainability management and sustainability prospects?

Example given:

- a. Metrics Objectives and Measurement practises
- b. Internal Policies and Operative Decisions
- c. Implementation timeline and Long-term Vision while scaling
8. Which of these aspects (objectives, management, and prospects) have been affected the most by venture interaction?

9. Have you ever changed your investment criteria based on what you've learned from a venture?

Sustainability Tensions

10. What, if any, are the key tensions you experience between your sustainability and financial objectives?
11. How have venture interaction influenced these tensions between your sustainability and financial objectives?
12. Are you pushing the ventures you invest into to reach for more social or environmental goals, or do you actively only seek out ventures with those goals to start with?
13. How do you help ventures navigate tensions between environmental, social, and economic objectives?
14. Can you give an example of a difficult tradeoff you faced between social/environmental impact and commercial goals? How did you resolve it? What was the root cause of the tradeoff?
15. Under what circumstances would you encourage a venture to adjust its sustainability objectives or implementation timeline?

Ending

16. Is there anything else about how venture interaction influences your sustainability impact that we haven't covered?

7.2 Interview questions - Swedish

7.2.1 Questions to Ventures - SV

Intro

1. Vilken typ av investeringar har ni fått?

Impact Metrics

2. Hur definierar ni era hållbarhetsmål för investerare?
3. Hur kommunicerar ni era hållbarhetsmål till investerare?
4. Har ni upplevt några utmaningar med att visa trovärdigheten i era hållbarhetsåtaganden för investerare?
5. Kan ni gå igenom hur ni mäter och validerar er hållbarhetspåverkan?

Impact Track Record

6. Vilka tidigare erfarenheter motiverar er specifikt att arbeta med era hållbarhetsmål, och hur kommunicerar ni detta till investerare?

Impact Management

7. Vilka interna policyer har er startup infört för att säkerställa att ni lever upp till era hållbarhetsmål?

Impact Prospects

8. Under vilka omständigheter skulle ni sälja ert startup, och hur skulle era investerare påverka ert beslut?

Dumont Aspects Reflection

9. Hur har interaktionen med investerare påverkat era hållbarhetsmål, ert interna hållbarhetsarbete och era hållbarhetsvisioner?

Exempel:

- a. Mätetal och mätningmetoder av hållbarhetsmål
 - b. Interna policyer och operativa beslut
 - c. Implementeringstidslinje och långsiktig vision vid skalning
10. Vilka av dessa aspekter (mål, arbete, och vision) har påverkats mest av interaktionen med investerare?

Sustainability Tensions

11. Vilka, om några, är de största spänningarna du upplever mellan dina hållbarhets- och finansiella mål?
12. Hur har interaktionen med investerare påverkat dessa spänningar mellan dina hållbarhets- och finansiella mål?
13. Uppmuntrar du dina investerare att sträva efter högre sociala eller miljömässiga mål, eller letar du aktivt endast efter investerare med dessa mål från början?
14. Kan du ge ett exempel på en svår avvägning du stod inför mellan social/miljömässig påverkan och kommersiella mål? Hur löste du det? Vad var grundorsaken till denna avvägning?

Ending

15. Finns det något mer om hur interaktionen med investerare påverkar ditt hållbarhetsarbete som vi inte har täckt?

7.2.2 Questions to Investors - SV

Impact Metrics

1. Kan du gå igenom hur du definierar startups hållbarhetsmål?
2. Kan du gå igenom hur du mäter ett startups faktiska hållbarhetspåverkan?

Impact Track Record

3. Kan du ge ett exempel där en grundares meriter/erfarenhet väsentligt påverkade ditt investeringsbeslut i ett socialt- eller miljöfokuserat startup?

Impact Management

4. Hur utvärderar du om ett startups operativa beslut verkligen prioriterar hållbarhet tillsammans med finansiell avkastning?

Impact Prospect

5. Hur säkerställer du att dina visioner om hållbarhetspåverkan överensstämmer med grundarens visioner?
6. När ni gör en exit på ett portföljbolag, hur försäkrar ni er om att nästa ägare kommer att ha samma visioner och ambitioner gällande hållbarhet som ni har haft?

Dumont Aspects Reflection

7. Hur har interaktionen med startups påverkat dina hållbarhetsmål, ditt interna hållbarhetsarbete och dina hållbarhetsvisioner?

Exempel:

- a. Mätetal och mätningmetoder av hållbarhetsmål
 - b. Interna policyer och operativa beslut
 - c. Implementeringstidslinje och långsiktig vision vid skalning
8. Vilka av dessa aspekter (mål, arbete, och vision) har påverkats mest av interaktionen med startups?
 9. Har du någonsin ändrat dina investeringskriterier baserat på vad du lärt dig från ett startup?

Sustainability Tensions

10. Vilka, om några, är de största spänningarna du upplever mellan dina hållbarhets- och finansiella mål?
11. Hur har interaktionen med startups påverkat dessa spänningar mellan dina hållbarhets- och finansiella mål?
12. Uppmuntrar du dina portfölj-startups att sträva efter högre sociala eller miljömässiga mål, eller letar du aktivt endast efter företag med dessa mål från början?
13. Hur hjälper du dina portfölj-startups att navigera spänningarna som uppstår mellan miljömässiga, sociala och ekonomiska mål?
14. Kan du ge ett exempel på en svår avvägning du stod inför mellan social/miljömässig påverkan och kommersiella mål? Hur löste du det? Vad var grundorsaken till denna avvägning?
15. Under vilka omständigheter skulle du uppmana ett startup att justera sina hållbarhetsmål eller sin implementeringstidslinje?

Ending

16. Finns det något mer om hur interaktionen med startups påverkar ditt hållbarhetsarbete som vi inte har täckt?

7.3 Result Summary Tables

This section provides a detailed overview of the key findings from the interviews with investors and ventures, presented in a structured table format. These tables summarize the credibility assessment and sustainability tensions observed in each case, offering a concise comparison of investor and venture perspectives.

7.3.1 Credibility Assessment

Summary of Credibility Assessment - Case A		
	Venture 2	Investor 2 (Corporate)
Impact Metrics	Emphasizes contamination reduction and product circularity, clearly and concretely presented to investors. Generally easy to demonstrate credibility since sustainability is core to the business. Validation occurs through pilot projects measuring in real-world environments.	Evaluates sustainability goals using internal ESG checklists. Measures impact individually for each company and actively works with ventures to monitor and validate their impact using calculators and lifecycle analyses.
Impact Track Record	Desire to create concrete value.	entrepreneurs' previous experiences and competence in sustainability are crucial factors in investment decisions. Strong emphasis on entrepreneurs' competence and credibility.
Impact Management	Policies around material purchasing and transportation, avoiding long-distance transport.	Views sustainability as inherently integrated into the ventures' business models and evaluates it continuously. Rarely needs separate checklists due to inherent sustainability of invested ventures.
Impact Prospect	Clearly influenced by investors' wishes, but open to selling if it maximizes product impact.	Maintains close dialogue with ventures, ensuring alignment through ownership directives, business plans, and environmental policies. Shared vision with entrepreneurs is critical for investment.
Dumont's Aspects Reflection	Investors primarily influence vision, and indirectly operational decisions through reporting and policy-making.	Believes interaction with ventures significantly and positively impacts investor learning. Operational practices are most influenced by venture interactions.

Summary of Credibility Assessment - Case B		
	Venture 1	Investor 1
Impact Metrics	Sustainability impact communicated through easily understandable quantitative estimates. Difficulties clearly demonstrating own impact and validating data at this early stage due to the product not yet being on the market. Currently focuses on estimations and references from credible sources.	No clear criteria or processes for defining or measuring sustainability goals. Primarily avoids investments with clear negative impact, but lacks concrete tools for validating actual sustainability impact.

Impact Track Record	Desire to create social and environmental value.	Investment decisions are influenced more by the venture's purpose and entrepreneurs' overall credibility rather than their specific past experiences.
Impact Management	No strict policies due to early stage; decisions guided by company values instead.	No specific template or systematic approach to evaluate ventures' prioritization of sustainability in operational decisions. Relies on due diligence to uncover negative sustainability issues.
Impact Prospect	Investors' exit interests are decisive, though entrepreneurs prefer sustainability profiles to remain after sale.	Lacks clear documented sustainability objectives, making alignment with entrepreneurs more difficult. However, the investor can influence ventures to match their sustainability efforts.
Dumont's Aspects Reflection	Investors mainly affect goals rather than operational work and vision, though indirectly influencing through network and competencies.	States that startups generally haven't progressed far in internal sustainability management, resulting in limited impact on the investor's own sustainability efforts.

Summary of Credibility Assessment - Case C		
	Venture 3	Investor 3
Impact Metrics	Communicates concrete figures quarterly to investors. No major credibility issues with investors because ordinary investor does not really care about impact, and as such credibility demands mainly come from customers. Validation uses sensors for water and energy and estimations for microplastics.	Primarily focuses on sustainable business models and circular economy rather than detailed ESG metrics. Does not conduct extensive validation but continuously assesses based on business model development and entrepreneurs' credibility.
Impact Track Record	Motivated by personal experiences with water issues. Would be embarrassing not to work with sustainability.	Places clear importance on entrepreneurs' previous experiences and personal commitment to sustainability, directly influencing investment decisions.
Impact Management	Focus on supply chain policies, reducing air travel, and choosing sustainable suppliers.	Considers financial returns more important than sustainability in the startup phase but notes that sustainability reporting and management become crucial as ventures mature.
Impact Prospect	Mainly driven by investors. entrepreneurs would sell if it maximizes global impact.	Alignment with entrepreneurs' vision is essential at investment stage, documented clearly in joint business plans. Carefully selects the next owner upon exit.
Dumont's Aspects Reflection	Investors have limited influence on sustainability vision. entrepreneurs drive sustainability issues themselves. Investors' main focus is economic.	States interaction with ventures primarily affects the investor's vision positively, facilitating knowledge sharing between portfolio companies.

7.3.2 Sustainability Tensions

Summary of Sustainability Tensions - Case A		
	venture 2	Investor 2
Sustainability Tensions	Experiences relatively few clear tensions. One example was the choice regarding quality standards for the first product version (MVP), where investors preferred higher sustainability standards from the start, while the entrepreneur wanted a faster launch. Generally, investors act as a balancing force, ensuring product quality and sustainability standards are maintained.	Struggles to identify significant tensions as sustainability is integrated into ventures' business models. However, market willingness to pay can cause tensions. Actively pushes ventures to aim for higher sustainability goals over time as the venture matures.

Summary of Sustainability Tensions- Case B		
	Venture 1	Investor 1
Sustainability Tensions	Clear tensions around business-area selection. The venture's earlier market segment offered substantial sustainability impact but limited commercial profitability. entrepreneurs and investors preferred business areas with clearer commercial potential, causing a shift to a new market, which offered better profitability despite lower sustainability impact.	Believes sustainability should align with business activities but acknowledges tensions due to exclusionary investment criteria (e.g., oil industry). Does not actively push ventures towards higher sustainability goals.

Summary of Sustainability Tensions - Case C		
	Venture 3	Investor 3
Sustainability Tensions	Experiences clear tensions between sustainability and financial goals, especially regarding product pricing, profit margins, and expansion pace. Increased investor demands for economic profitability intensify tensions between selling more units at a lower price (greater sustainability impact) or fewer units at higher margins.	Explicitly emphasizes that financial objectives usually outweigh sustainability objectives, especially in the startup phase. Still pushes ventures towards higher sustainability goals, noting sustainability becomes increasingly critical as ventures mature and face increased regulatory demands.

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