

The Nonprofit Board as an Entrepreneurial Agent

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Introduction

Entrepreneurship (no matter if it occurs in the private, public or nonprofit sector) is a contact sport that requires action, and action in turn requires human agency. To date, much social entrepreneurship scholarship has translated and interpreted this notion of human agency in a narrow way and predominantly emphasized the role of the innovating *individual* entrepreneur (Light, 2006). Taking the individual out of the entrepreneurial equation is of course impossible but as Gartner *et al.* (1994, p. 6) observed “the entrepreneur in entrepreneurship is more likely to be plural, rather than singular. The locus of entrepreneurial activity often resides not in one person, but in many”. This paper is based on the assumption that entrepreneurial agency is not exclusively a function of a single enterprising individual but that teams, groups, networks and sets of individuals help generate, shape and inform the entrepreneurial process.

This paper focuses on how nonprofit boards fit into this process. Data was collected from 22 board members representing four human service organizations. In addition, three nonprofit governance experts were interviewed. Exploratory in nature, this paper is based on the idea that a broadening of the scope of nonprofit entrepreneurship scholarship to also include board and governance aspects holds much promise for an increased understanding of entrepreneurship in the nonprofit sector.

Entrepreneurship beyond the individual entrepreneur

According to Harper (2008), the individual core in entrepreneurship can be traced back to early entrepreneurial thinking, in particular to Schumpeter’s notion of innovative entrepreneurs “with supernormal qualities of intellect and will” who put together new combinations into a new thing. Harper also highlights Kirzner’s seminal work on opportunity recognition in which the single individual is described as the only agent who can make discoveries and key decisions in the entrepreneurial process. Later scholars have explicitly stressed that entrepreneurship emerges from a person and not any collective entity (Casson, 1982) making any team or group properties of entrepreneurship “[...] simply irrational, epiphenomenal or an impossibility” (Casson quoted in Harper, 2008 p. 615).

Given the iconic status of the Schumpeterian logic it is not surprising that the individual is still at the center of entrepreneurial analysis. However, surprisingly few have acknowledged Schumpeter’s (1965 p. 51) later work in which he distanced himself from his previous emphasis: “The entrepreneurial function need not be embodied in a physical person and in particular in a single physical person. Every social environment has its own ways of filling the entrepreneurial function.”

In the mid-1980s, scholars also started critiquing entrepreneur-centered research by arguing that too much time was spent trying to figure out who the entrepreneur is rather than what he/she does (Gartner, 1990). During the same period, empirical research found that businesses founded by groups of entrepreneurs not only had a higher survival rate but also grew faster than ventures started by individual entrepreneurs (see for example Eisenhardt & Schoonhoven, 1990).

Another clue to why scholars have focused extensively on the individual entrepreneur is linked to the common definition of entrepreneurship as the process of creating a new organization, and in many cases new organizations are indeed started and associated with single individuals.^Ψ However, a growing body of literature now suggests that entrepreneurial activity can occur at any stage in organizational life as a mean to revitalize and reinvent an already existing organization (Antoncic & Hisrich, 2003). Such intrapreneurial activity can of course emerge from a solo individual inside any agency but these individuals are also embedded in an existing organizational structure and it seems unfeasible that they would be completely autonomous in their actions. This led scholars to start focusing on organizational behavior and phenomena, and recently Antoncic (2007) provided numerous examples of internal organizational features associated with intrapreneurship including openness of communications within organizations, extensive communications with actors outside the organization and overall organizational support for entrepreneurial initiatives from managers and costumers. These features are often backed by sets of specific values and norms that produce an internal entrepreneurial organizational culture.

Furthermore, as strategy and organizational scholars entered the field of entrepreneurship more attention was directed towards groups, teams and networks as essential units for exploring entrepreneurial processes. For example, in their seminal work about upper echelons Hambrick and Mason (1984) proposed that collective entities such as founding or top management teams are crucial for understanding what influences key organizational decision making and actions. Empirical research later indicated that team diversity, tenure and educational mix together form configurations that are closely associated with different degrees of organizational innovation (Camelo-Ordaz, Hernandez-Lara, & Valle-Cabrera, 2005; Bantel & Jackson, 1989). Social network research have shown that entrepreneurial activity are seldom the result of some lone rugged individual doing everything by herself but instead a structural and relational phenomenon in which multiple social relations are knitted together to get access to information, advice and resources needed for entrepreneurial activity (Starr & MacMillan, 1990). This stream of research also point out that different contacts and resources may be required at different phases of the entrepreneurial process, which suggests the importance of understanding how different constellations of people use their social capital to accomplish entrepreneurial ends (Greve & Salaff, 2003). Finally, strategic entrepreneurship scholars are moving from exclusively focusing on the start-up notion of new enterprises and to also perceive entrepreneurial action as a “dynamic problem-solving process. This notion of entrepreneurship applies equally well to operations that take place inside or outside the minds and bodies of individual persons” (Harper, 2008 p. 616). From this perspective, organizational processes, functions and features such as governance, strategic planning and organizational capacity can be viewed as important aspects of entrepreneurial activity.

In summary, the approaches discussed above shows that the individual level of analysis represents one but not the only level for studying entrepreneurial processes. In particular it shows that organizing and organization are key aspects of entrepreneurship. Also, it makes little sense to talk about entrepreneurship in absolute terms. Instead, as Light (2006) suggest, entrepreneurial activity will likely ebb and flow over time within organizations. I raise these points because they

^Ψ For example, IRS estimates focusing on legal status suggest that almost three out of four business enterprises in America are sole proprietorships.

indicate that entrepreneurship is indeed a multifaceted construct with both temporal and contextual aspects.

Turning to the nonprofit literature it is clear that nonprofit entrepreneurship scholars have devoted less attention to this type of research. One of the most frequent voices questioning the narrow focus of nonprofit entrepreneurship scholarship is Paul Light (2006 p. 48) who argues that the propensity to emphasize the unique social entrepreneur:

“[...] ignore the role of organizations and the resources they provide for pattern-breaking change. Researchers have long known that successful ideas require a mix of talents that is rarely found in one person. Indeed, the most compelling research on business entrepreneurship suggests that successful change requires a stream of capabilities including leadership, management, marketing, organizational design, and finance. Whereas philanthropists almost always focus on the individual, venture capitalists almost always focus on the leadership team and the organization to back it.”

Again, the main point here is not to dismiss the role of the individual entrepreneur but to broaden the social entrepreneurship construct by highlighting the role of organizing and organization, emphasizes teams and groups rather than individuals, and study processes rather than events. If we accept the premises put forward by Light and others, nonprofit entrepreneurship can be viewed as an organizational level phenomenon^β where complementary competencies and resources embedded in groups or teams of people are essential.

Boards, Governance and Nonprofit Entrepreneurship

Governance of nonprofit organizations consists of multiple features including providing strategic direction and leadership, monitoring and overseeing organizational performance and effectiveness, and ensuring accountability (Renz, 2004). Boards play a significant role in nonprofit governance given its legal and fiduciary responsibilities. Previous research also shows that board effectiveness and board performance are related to overall nonprofit organizational effectiveness (Brown, 2007; Herman & Renz, 2004). When the central role of boards in nonprofit organizational affairs is combined with the ideas about intrapreneurship, strategic entrepreneurship and the role of teams in entrepreneurial processes it seems feasible, at least in principle, to assume that a close link exists between nonprofit boards (which is a team) and entrepreneurial activities and processes in nonprofit agencies. Still, very little is known about the role, importance, impact, and potential of the board in the nonprofit entrepreneurial process beyond anecdotal evidence or prescriptive recommendations (Helm & Renz, 2008). Boards are often assumed to be passive agents or tools that a social entrepreneur can tap into when needed (see Kitzi, 2002). In other words, the board itself is seldom considered to be an entrepreneurial agent, echoing Kirzner's emphasis on the individual entrepreneur as the key decision maker.

However, recently some research has emerged focusing on nonprofit boards and nonprofit entrepreneurship. Morris *et al.* (2007) used the term board activism and found that active boards is positively related to several nonprofit [organizational] entrepreneurial behaviors by creating expectations, hold entrepreneurial managers nonprofit accountable, and be active in the search for entrepreneurial ideas. Cornforth *et al.* (2008) focused on governance issues in social enterprises and reached a similar conclusion as Helm and Renz (2008) reported; that the governance

^β I view entrepreneurship as behaviors and processes resulting in the emergence of a new thing, or an organizational experiment with uncertain outcomes.

challenges confronting the social enterprises and entrepreneurial nonprofits were similar to those of other nonprofits. Cornforth and colleagues found that the origin of the enterprise had an imprinting effect on governance structures. They also mention that new social enterprises are prone to founder's syndrome and that boards in these organizations tended to be fairly passive. Finally, many organizations had problems with finding and recruiting the right kind of board members to fit into the enterprising culture. As part of a bigger study on social entrepreneurship, Light (2008) concluded that boards of entrepreneurial organizations were inactive, disengaged and met less frequently in comparison to less entrepreneurial organization. He suggests that entrepreneurial organizations may rely on a different type of governance, and that active boards are sometimes seen as an obstacle and not a resource in the entrepreneurial process. Helm and Renz's (2008) examined nonprofit governance and board work in organizations that exhibit high and low levels of socially entrepreneurial behaviors. In contrast to Light they found that entrepreneurial organizations' boards clearly were more engaged with their organizations in contrast to less entrepreneurial organizations. Helm and Renz also found that innovative ideas tended to flow from management and staff to the board level, and those entrepreneurial organizations commonly generated a lot of ideas. If innovativeness is linked to managers and staff, boards tend to focus much more on opportunities, whereas the non-entrepreneurial tended to focus largely on matters of compliance and oversight.

Entrepreneurship and board work: Perspectives from 22 nonprofit board members

Because our accumulated knowledge about boards and nonprofit entrepreneurship is so limited this research opted for a highly qualitative inquiry focusing on stories and personal reflections. Both story-telling and the use of narrative analysis have been proposed as a central feature for understanding entrepreneurship (see Gartner, 2007). Narratives operate through "emplotment" i.e. multiple elements are woven together into a story. Hence, a narrative is a social product generated by a person in the context of specific social, historical and cultural locations. Also, narratives are interpretive devices through which individuals represent themselves and their worlds to themselves and to others. To capture these stories the board members were asked to describe both particular and typical events and procedures, feelings and personal opinions related to how the board approaches and handles situations such as new program or service creation (i.e. innovation), how new ideas enter and are processed at the board level (i.e. opportunity identification and evaluation), what considerations goes into dealing with uncertainty (i.e. risk-taking) and so on.

Key findings and conclusions

From a practical perspective, four key challenges were common among the interviewed board members. The first challenge was definitional; many board members had difficulty expressing a clear operational definition of entrepreneurship. However, while these difficulties concerned the means of entrepreneurial action a majority of board representatives saw commercial and/or revenue making as the quintessential outcome of nonprofit entrepreneurship. This narrowing of meaning represents the Humpty Dumpty curse ("When I use a word it means just what I choose it to mean — neither more nor less") because despite all opinions regarding the entrepreneurial process, all boiled down to a very simple outcome, making money – neither more nor less. Many board members also viewed entrepreneurship as "good" or in some cases "something one should

be engaged in". The experts also acknowledged the tendency of many nonprofits to interpret entrepreneurship as anything producing earned income. In particular they felt that many boards and managers overlook the potential utility of the entrepreneurship concept by over-committing to the commercial aspects. In addition, they also worried that the perceived goodness and normative pressures associated with being entrepreneurial could generate mission drift.

The second challenge centered on sequencing. Board members agreed that being entrepreneurial is both a commitment and an investment but disagreed on when it is optimal to initiate such commitments. This often took the form of a chicken or egg-debate. For example, is big size a condition for the ability to be entrepreneurial or is it entrepreneurial activity that causes an agency to scale? The third challenge was how to handle uncertainty. Many board members, despite its positive vibe, were hesitant to engage in any entrepreneurial experiments. Some highlighted the board's role as a guardian, emphasizing accountability and the duty to put clients first. Some even suggested that too much experimenting was unethical and worried about what clients, donors and volunteers "would say and think." The experts recognized this behavior, which can be portrayed as a strong focus on opportunity costs that in many cases effectively prevents new and creative alternatives from being considered. Many boards tend to favor existing programs or only commits to incremental change rather than taking big risks.

Finally, a somewhat surprising result (that contests some findings from previous research) was that board members claimed to be very active in the opportunity generating process. Utilizing their social capital, maintain close contact with key donors, cultivating good relationships with other human service agencies and what was described as a positive and open organizational culture all resulted in a stream of ideas and possibilities originating from the board. In fact, some board representatives even had a sense of opportunity overload. However, once these opportunities were filtered through some of the factors described in this section the actual number of opportunities being transformed into, for example, a new program or service were limited. Put differently, the issue is not so much opportunity discovery as it is opportunity evaluation and development that represents a major challenge for nonprofit boards. More research is needed to investigate the type of obstacles hindering and/or attributes propelling an opportunity from the discovery phase into action.

On a more general level, both the board as a team and individual board members appeared to struggle with balancing a more conservative and protective role with a more creative, proactive and risk-taking role. This tension was predominantly rooted in a discussion about what constitutes the most effective way for the organization to accomplish its mission, long-term and short-term goals. Cornforth (2001, 2004) has argued that these ambiguities are not uncommon in nonprofit governance as boards must face enduring tensions between driving performance and ensuring conformance, controlling and supporting management, and multiple stakeholder accountability. Hence, Cornforth's paradox perspective could serve as a base for further exploration of the board's role in entrepreneurial processes. In addition, as mentioned above, the vast majority of board members used effectiveness as a core criterion for thinking about the consequences of entrepreneurial actions. Consequently, more research is needed to investigate how different stakeholders conceptualize, perceive and judge the entrepreneurship/effectiveness relationship given that what constitutes nonprofit effectiveness is ultimately a social construction (Herman & Renz, 1998). Also, based on the comments from individual board members and the

three experts, the board's role in nonprofit entrepreneurial action cannot be fully understood independently of other both contextual and relational variables. For example, the opportunity space for entrepreneurial activities can (to some extent) emerge from within the board but is also determined and impacted by numerous external factors such as policy, market characteristics, economic conditions etc. Perhaps an even more crucial aspect is to begin to map the connections between the board and other stakeholders. Previous research indicates that the relation between the board and the executive(s) is vital for how nonprofits engage in entrepreneurship (Helm & Renz, 2008; Light, 2008) and this study suggests that boards also pay attention to the opinions and relationships with key donors and organizational peers.

Overall, this research contests the view that entrepreneurship in the nonprofit sector always comes in the form of a single enterprising individual. Instead I have argued that the unit of entrepreneurial agency can be found within constellations of people, for example the board of directors. Using interview material from 22 board members, entrepreneurship emerges as a complex yet appealing concept for nonprofit boards. While the investigated boards did contribute to the proactive behavior of their agencies they seldom described themselves as the main source or implementing agent of entrepreneurial action. So the key matter for future research is not so much *if* boards are relevant for nonprofit entrepreneurship but *how*? Nonprofits cannot (legally) exist without a board and if organizing and organization are important for entrepreneurial action so are the actions or non-actions of boards. The intrapreneurship literature also raises the issue of *when* entrepreneurial activity occurs? Are entrepreneurial boards indeed entrepreneurial all the time or does it ebb and flow throughout the life course of the organization? If so, do particular life-stages, events and/or conditions either simulate or hinder entrepreneurial action. For example, is it current needs or problem solving rather than opportunity that drives nonprofit entrepreneurial behavior?

Finally, given the nascent stage of research focusing on nonprofit entrepreneurship from a governance or board perspective it is not surprising to find many descriptive and qualitative inquiries. Still, in order to advance this research segment it is essential that nonprofit scholars also attempt to look for, test and advance existing theoretical frameworks.^φ One interesting area for such exploration is the psychological literature related to both individuals and groups. Motivational and psychologically oriented decision making theory may offer interesting insights into how boards deal with the ambiguities and paradoxes of nonprofit governance as it relates to entrepreneurial behavior. Such theories can also begin to explore nonprofit entrepreneurial intent and thus move beyond outcome-based approaches. There is also much room for organizational theories to contribute to this field of inquiry. Both stewardship and agency theory have been employed frequently to explore the role of boards in organizations, and nonprofit scholars have looked to resource dependency and institutional theory to understand nonprofit organizational behavior. Furthermore, entrepreneurship scholars have utilized additional frameworks seldom applied in nonprofit entrepreneurship research such as the upper echelons and dynamic capabilities perspectives, and there is a growing body of research focusing on resource-based and social network theory with much potential relevance for nonprofit scholars.

^φ The need for more theoretically based research applies to nonprofit entrepreneurship scholarship in general. There is a scarcity of empirical nonprofit entrepreneurship research and one seldom comes across attempts to derive testable hypotheses in the current literature.

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