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**Window of entrepreneurship: Explaining
the influence of corporate governance
mechanisms on corporate entrepreneurship
in two riding schools.**

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ABSTRACT

The theoretical aim of the paper is to create a synthesis between the science of disciplining action, i.e., corporate governance (CG), and the science of enabling actions within an organisation, i.e., corporate entrepreneurship (CE). The major analytical concept used in the paper in order to fulfil the synthesising aim is window of entrepreneurship. Entrepreneurship is a propensity, which can be triggered or terminated, mainly through the influence of corporate governance mechanisms. The window of entrepreneurship expresses the temporary character of entrepreneurship, indicating that a firm can open or close the firm for entrepreneurial action if it experiences a situation that is interpreted as a threat, an opportunity, an organisational strength or a weakness. Among the factors influencing the window of entrepreneurship are CG mechanisms prominent. We explore the window of entrepreneurship in two riding schools, one governed by a private firm and one governed by an association. The mechanism of the board of directors was found to be conducive for opening the window in the two cases. The mechanism of the product market and the market for managerial labour influenced the closing of the window. Thereby it has been showed that corporate entrepreneurship is a propensity that can be triggered and terminated.

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THE INTERSECTION OF DISCIPLINING AND ENABLING ACTION

A comprehensive theory of the firm has to include two important organisational processes, the governance of the firm and the development of the firm. These two processes of the firm have been elaborated in two different fields, corporate governance (CG) (Schleifer & Vishny, 1997) and corporate entrepreneurship (CE) (Zahra, Jennings & Kuratko, 1999), thus creating a separation of two organisational processes that are distinctively intertwined in praxis.

The integration of these two streams of literature is a huge undertaking. The ambition of the present paper is considerably less pretentious. The aim is to indicate the relevance of the relationship between CG and CE through the concept of window of entrepreneurship.

Entrepreneurs have been treated as being a special breed of the human race or shaped by a traumatic childhood (Collins, Moore & Unwalla, 1964). Entrepreneurial action performed in an organisation has been treated in the literature of corporate entrepreneurship, where it frequently has been treated as a posture (Covin & Slevin, 1991; Zahra, 1991; Zahra & Huse, 2000). This is a static conception of entrepreneurial action that disregards conditions of entrepreneurship. The concept of window of entrepreneurship challenges this static view by offering a dynamic conception. It will be claimed that entrepreneurship is a propensity (Zahra, 1993), which can be triggered or terminated, mainly through the influence of corporate governance mechanisms.

The knowledge of CG and CE has been based on empirical data from mainly listed capitalistic corporation, i.e., collective ownership of firms with a profit orientation. A theory of the firm should, however, be capable of taking all organisational forms of a firm into consideration. The present paper will consider two empirical cases that contrast with the main stream empirical object, thereby straining the theory to its limits. The empirical cases are two firms engaged in the riding industry, offering lectures and other riding services in a riding school. The two firms have two different sets of property rights, one where the property rights of the firm are vested in a collective, i.e., the members of the public association, and one where all property rights belong to one single person, i.e., the single proprietorship. Additionally, the two cases differ in the financial goals, the public association being a distinct non-profit organisation, and the single proprietorship having the possibility of profit maximisation. Thus, the empirical cases offer two firms engaged in an exotic industry that to the author's knowledge never before have been subject for economic research, and more important, that have never before been used to explain entrepreneurial action.

The paper will present a model of the relationship between corporate governance and the window of entrepreneurship. The model will then be used in the two case studies to

capture the essence of window of entrepreneurship and its explanatory factors. Conclusions and implications end the paper.

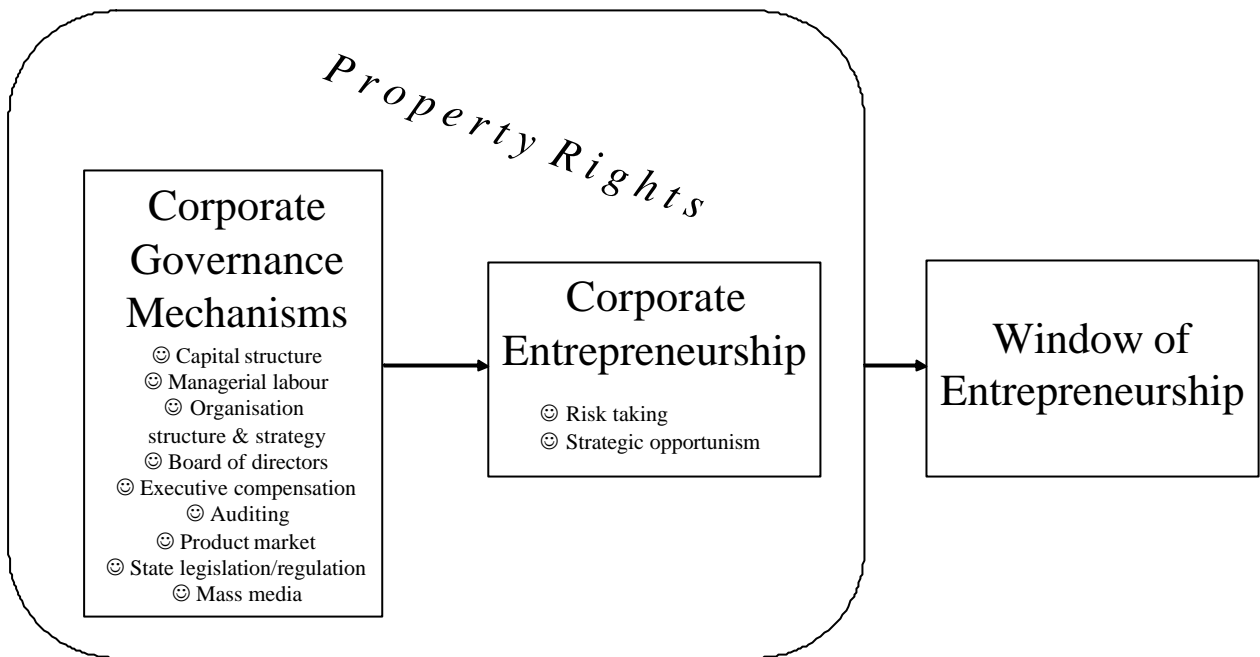
A MODEL OF CORPORATE GOVERNANCE AND WINDOW OF ENTREPRENEURSHIP

Corporate governance (CG) deals with those mechanisms that determine the fate of the organisation (Schleifer & Vishny, 1997). It is focused on how the organisation, and especially the top managers, are disciplined in order to satisfy the important stakeholders of the firm and includes theories such as agency theory (Jensen & Ruback, 1983) and transaction cost theory (Williamson, 1996). Both theories assume silently business development to occur. The problem of the organisation is not its development, but the direction of the development, whether it will be in the interest of the top managers, or the residual claimants.

Corporate Entrepreneurship (CE) has developed as a field focusing on those factors that influence the process of creating new businesses within organisations in order to develop the organisation and to enhance an organisation's competitive position or the strategic renewal for existing business (Zahra, Jennings & Kuratko, 1999). CE is generally interpreted as activities within an existing corporation that enhance the firm's proactiveness, its ability to innovate, take risk and seize opportunities (Covin & Slevin, 1991; Zahra, 1991). Overall, CE has been treated as a continuous posture. We challenge this view by offering the concept of window of entrepreneurship (WE), which emphasise that entrepreneurship is a propensity that can be triggered and that can be terminated.

The model of the paper, as showed in figure 1, proposes that CG and CE disciplines and enables managers and members of an organisation, thereby opening and closing the window of entrepreneurship. They are, however, embedded in institutional structures of property rights, which influence the mechanisms of corporate governance and the possibilities to realise and to make use of the opportunities.

FIGURE 1. A MODEL OF CORPORATE GOVERNANCE AND WINDOW OF ENTREPRENEURSHIP



Corporate governance is defined as the system where the wills of the principals are implemented in an organisation through controlling managerial action (Jensen & Meckling, 1976). This system consists of a set of different mechanisms. Presently there is no specific theory with the capacity to deal with all available mechanisms in a systematic fashion. We therefore offer a list of the most prominent mechanisms found in the literature.

The supply of capital creates opportunities for investments. Credit capital offers opportunities through its being the basic mean for investments, but puts a strain on actions due to its continuous demand on cash flow, and when risking bankruptcy, its right to discontinue the organisation (Berglöf, 1990). Residual capital, often termed ownership capital, supplies the investment with risk capital, but at the price of profit and the right to discontinue the organisation no matter risk of bankruptcy.

The board of directors, supported by a market for directors, aligns the strategy of the corporation with the organisational structure, with the ultimate capacity to give direct orders to the top management, i.e., to directly affect the action. The composition of managers through recruitment is performed through the use of the external and the internal managerial supply. The action of a manager can be influenced by the executive reward system utilised in the organisation. The auditors make the scrutinising of the actions performed by the managers, in the interest of the principals and the state.

The output of the organisation is subject to the competition level of the product or service markets. With increasing level of competition, the restraints on management increase, ending at the perfect competition where not even price is possible to influence.

The governance mechanisms of a firm are embedded in the organisation's environment, constituted by mass media, that offers information and analyses of the organisation to the public; and state legislation and regulations that influence actions through rules and sanctions.

In order to exploit the fruits of the division of labour, the principal has to discipline the manager, as well as to enable managerial action. Enabling is not the opposite of disciplining, but a dimension of its own, where the environment and the principals contribute to the capacity of the managers to shape the production function of the organisation in a productive fashion. Enabling is, however, not a subject of CG, but has been dealt with in the literature of Corporate Entrepreneurship (CE).

CE can be defined as activities within an existing firm that enhance the firm's risk taking and strategic opportunism, which is the firm's ability to be proactive and innovative (cf. Covin & Slevin, 1991; Lumpkin & Dess, 1996).

The essence of entrepreneurial risk taking is the commitment of different types of resources to a venture. If the firm has an abundance of resources, the risk of the venture could be high, but the risk for the firm is low, since it does not threaten the existence of the firm. Entrepreneurial risk taking is reserved for those ventures that bind so many resources that it constitutes a threat for the firm's existence.

Strategic opportunism is the firm's capacity to perceive new opportunities and to develop new strategies, be it new products or markets, and finally to redirect its resources. It is the creative destruction of a firm's established strategy, and represents the difference between intended strategy and realised strategy that Mintzberg termed emergent strategies. It can be subdivided into proactiveness and innovativeness (Covin & Slevin, 1991).

Proactiveness is the capacity to be able to interpret new demands, and to act upon this new interpretation, without being bound by the present strategy of the firm. Innovativeness is the capacity of a firm to make new combinations of resources within the firm and to create new products and services (Lumpkin & Dess, 1996). It constitutes what Schumpeter (1934) termed creative destruction through developing alternatives to the established products or technologies.

Corporate entrepreneurship has been claimed to be a posture (Covin & Slevin, 1991; Zahra, 1991; Huse & Zahra, 2000). Zahra (1993) noticed that CE could have costs for the firm, making a too high level of CE harmful for the financial performance of the firm. We

assert that CE is always a cost for the firm, since it always binds or consumes resources. A manager considering a new market opportunity for one working hour, redirects one hour of managerial working time from considerations concerning, for example, production improvements to strategic opportunism. Therefore, since CE is a cost, firms can be hypothesised to vary their intensity and duration of CE (Zahra, 1993). Consequently, we claim that CE is a propensity, i.e., a latent capacity to entrepreneurial activities.

The window of entrepreneurship expresses the temporary character of entrepreneurship. It indicates that a firm can open or close the firm for entrepreneurial action if it experiences a situation that is interpreted as a strategic issue, be it a threat or an opportunity in the environment, or an awareness of an organisational strength or a weakness. The corporate governance mechanisms are conducive in this respect. For example, if a manager finds the organisation stable and the level of debt is low, the window of entrepreneurship could be open, thus representing a willingness to assume risk and to act strategically opportunistic. Another example is a firm with a very low level of equity, making it very alert to changes; the board of the firm can be assumed to very fast experience a threat, and, if other factors support the alertness, will open the window of entrepreneurship.

CG and CE are embedded in, and therefore influenced by the institutional environment. One important formal institution consists of the legal associational forms that the government offers, such as single proprietorship, partnership, joint stock company, co-operative firm and public association. The regulation of the joint stock company distributes rights and liabilities to dominant stakeholders of the firm, in the specific case of the corporation, its shareholders, the CEO and the board. Thus, it constitutes the legal property rights of the associational form. Among the most important property rights and liabilities are risk, i.e., the distribution of the residual, and control, i.e., the distribution of the right to influence the strategy and structure of the organisation. Depending on organisational form, the liabilities of the right to the residual vary, i.e. within a single proprietorship the proprietor stands the entire losses, within a corporation the shareholders have limited liability and in the public association, the members have no residual liability whatsoever. It has further been stated that “where the risk lies, there lies the control” (Robertson & Dennison, in Ricketts, 2002, p. 263) claiming the residual claimants to have the right to control. This is, however, not totally true. Depending on organisational form, the right to control will be entitled to different stakeholders, i.e. in the single proprietorship the proprietor will control, in the corporation the shareholders will control, and in the public association, the member will control. Thus, the firm seen as a nexus

of legal contracts implies the contracts to establish an allocation of rights among the dominant stakeholders who comprise the firm.

Legal property rights can, however, only offer the formal determination of rights and liabilities. Property rights in their completeness are determined by the interplay of both formal and informal institutions. Norms of society and groups (Selznick, 1957) and ideologies (North, 1990), which are not necessarily legally coded, will influence the legal property rights and their distribution, thus making the actual societal property rights a mix of legally and socially defined norms.

Summarising the model, we claim that the opening and closing of the window of entrepreneurship of a firm is influenced by the firm's set of CG mechanisms and their influence on CE, which, in turn, is influenced by the specific set of property rights that constitute the firm.

THE RIDING SCHOOL CASES

The empirical objects of the paper are two firms engaged in the riding school industry. The industry belongs to the leisure industry and is mainly oriented towards young people. The core business of the industry is teaching dressage, jumping and caretaking of the horse, and to a lesser extent wagon-riding and western riding. The dominating customers are young girls. The financing of riding schools are always a problem since the costs are high because the horses needed to perform the riding are expensive to buy and to maintain, including costs of the stable. Most riding schools receive governmental support when they offer lectures for individuals below the age of 26.

The theoretical reason to choose such an exotic and exceptional industry is that a theory about the firm and its capacity to create conditions of entrepreneurship has to be able to deal with all firms engaged in business activities, even if they provide riding instructions for young girls. The methodological reasons for the selection is that; 1. the industry contains a variety of legal forms, including single proprietorships and public associations offering the same service, thus creating variance in the set of property rights and liabilities; 2. the industry is significantly influenced by local and national government, thus emphasising the institutional influence on property right allocation; 3. the industry is exposed to strong institutional pressure from the riding community demanding horsemanship and from the political sphere demanding adherence to the Swedish popular movement tradition of democracy and equality.

We have selected one case where the riding school is organised as a public association and one case where the school is owned by a single proprietor. This makes it possible to

compare the distinct differences between private property rights and communal property rights.

The data for the public association was collected during September 2002, using interviews and archival data from the riding school. Interviews were held with the current chairman of the board and one former chairman, two former managers of the riding school and two instructors. Archival data consisted of yearly accounts and all protocols from the board's meetings reaching back to the 60's. A unique material covering the hourly utilisation of each horse and pony every day from 1993 to 2001 has been used. The data for the private riding school were collected during January 2003. Interviews were held with the single proprietor, with a buyer of the riding schools service and with a director of the board of the association that originally sold the riding school to the current single proprietor. We present a short summary of the cases, which is followed by the analysis of the cases.

The public association

The public association was founded in 1946. Three years later a boy of 9 years of age started his training at the school. From that day on, he has been a leading figure at the riding school, as a successful rider in jumping during the 60's, as an instructor since 1959, as the general manager of the riding school from 1972 to 1995. The riding school financed and built an establishment in 1959 that still is in use. It was expanded in 1992 by an enlargement of the indoor arena and by the construction of a new stable for private horses, and further expanded in 1998 by a new indoor arena and a new stable for privately held horses. The ownership of the establishment was transferred to the local municipality in 1978 because of severe financial problems in the association. The expansions during the 90's were financed through a co-operative agreement between the association and the municipality.

The 90's were a turbulent decade in the history of the riding school. It started by a scandal, where the chairman of the board was found to have embezzled a huge amount of money. A new chairman 1992 replaced him. A growing group of members were, however, dissatisfied with the development of the school, among other things, complaining about overused horses. At the same time, the management of the school was not well organised. A more or less staged coup brought about a replacement of the chairman and many of the directors in 1993. The consequence was that the average experience of the board members decreased, but made the board more homogenous in experience and in gender composition, now containing 75 per cent women. The board in 1995, influenced by severe critique from instructors and members levelled against the riding school manager, changed the mandate of

the riding school manager, retaining certain responsibilities under the control of the old manager, and creating a new position as riding school manager. A new manager was recruited, but was replaced because of cooperation problems with the board, and because of, let's say, strange financial manoeuvres. He was replaced by a young person, lacking equestrian education, but with ample experience of leadership since he was former military. At the same time, the chairman of the board retired, and a new chairman was elected, with long experience as a member of the board. The board had now gained in board experience, and had a heterogeneous composition.

This change marks the end of the turbulent years of the school, from 1993 until 1997. Now started a stable period, only disrupted by new engagements induced by the new manager. He started an after-school recreation club for very young kids, with salaried personnel, paid by the municipality. He organised environmental activities at the school, which were nationally recognised and gave the association the first equestrian environmental price at a national meeting. He organised jumping competitions that attracted many of the national elite. The economy of the association was strengthened during his first three years. During his years, the utilisation of the horse capacity decreased, the turnover of horses decreased, but the number of membership was rather stable. The manager retired from the position when he got the opportunity to get a position at the national centre of riding education.

The single proprietorship

The private riding school is owned by one person, using the associational form of single proprietorship. In 1985 she bought the riding school from an association. The association had by then been in the business for almost 60 years. It was well-known for its large competitions. The riding school of the association experienced severe financial problems. The solution found by the association was to offer the riding school for sale to private ownership. The riding school was bought by one woman and one man. They had been employed at the association's riding school and had a reputation of being knowledgeable and hard working persons. The privatization of the riding school was the first privatisation of the associations activities, but were preceded by other privatizations, such as the café being rented to an undertaker.

After a short while the female owner bought the man's share in the riding school and organised it as a single proprietorship. She invested a lot of time in the riding school activities and invested in new horses. She stayed, however, at the association's establishment and

agreed on a specific contract that stressed a close relationship between the association and the riding school. She rented part of the establishment for a subsidised rent. She did only accept riders if they were members of the association. She does not organise competitions or intrude in the association's other activities, but are solely focused on the core business of a riding school.

The association got a new establishment 1995 and moved all their operations. The riding school moved with them. The new establishment made it possible for her to invest in more horses, with the aim of increasing quality through better and less utilised horses. By now she had more employees, with equestrian education and of same gender and age. The employees have continuously been granted more and more responsibility for planning lectures, thus reducing the working load of the owner. Today the word 'we' are stressed, including the owner, the employees and the horses. Frequent joint activities indicate a stress on socialisation of the employees.

Today the riding school is performing lectures for the members of the association, including jumping, dressage, pony lessons and lessons for disabled. More lectures have been added because the riding school have a contract with a high school situated at the establishment since one year ago. The high school education has riding as a speciality, and was created by a woman that thought there would be a market for this rather special direction of a school. All riding lectures provided by the high school are produced by the private riding school. The establishment, governed by the association, is today housing many private companies that conduct different activities. The association has become less of an operating organisation and more of an administrative body maintaining the establishment, governing and administering competitions, getting sponsors and make sure that there is a functional riding school. Still, the private riding school has a weak identity since most riders do not distinguish between the public association and the public riding school. The owner is also very eager to have tight and good relations with the public association.

The association is governed by a board that have experienced very high turnover of directors. Additionally, many directors are recruited from outside the association, mainly from business. Thus, the governing body of the association appears to be rather unstable, which contrast with the stability of the riding school.

INTERPRETATION 1: OPENING THE WINDOW OF ENTREPRENEURSHIP

The entrepreneurial actions that will be explained are the creation of the private riding school and the new activities introduced by the new manager at the public association. The creation of the private riding school 1985 was entrepreneurial since

- A.) it represented a new way of thinking about public associations and their operations,
- B.) it did put the riding school activities at risk since a failure by the single proprietor would imply the closing of the riding activities, and
- C.) it consumed a substantial part of the single proprietors wealth and exposed her to unlimited risk

The creation of the new activities in the public association was entrepreneurial since

- A.) the after-school recreation club and the environmental activities represented a totally new activity
- B.) the high-status jumping competitions put the name of the public association at risk since an organisational failure would be hard to repair

The entrepreneurial actions were sought for in both the cases. The private riding school were established because the board of the association experienced a crisis in the riding school and invented the idea that a part of the association's activities could be detached from the association and sold as property to a trustworthy and hardworking couple of individuals. The individuals faced the opportunity and made their choice of a lifetime. Although putting much at risk, the contract granted some stability for the new established private riding school. Finally, she was young, without a family, thus being able to invest many hours of the day in the business. To summarise, the opening of the window of entrepreneurship happened through a crisis and the presence of resources, which created a fertile ground for new ideas, which an apparently strong board, including business people, had the capacity to invent and the courage to implement.

In the case of the public association, the crisis were solved and reduced to history by a strong homogenous board. When recruiting the new manager, the board was a fertile ground for new ideas, being heterogeneous in composition, but with the confidence of having solved the crisis. They wanted to recruit a strong leader, with new ideas. Therefore they were capable of recruiting a manager lacking elaborated equestrian knowledge or competition qualifications, but with strong leadership skills and experience. They wanted his entrepreneurial spirit and granted him rather wide freedom of actions, partly because they wanted inventions and partly because they thought that it was a mean of rewarding the

manager. The last reason being rather important since public associations has chronic financial problems, restraining them from giving significant financial rewards. The manager had incentives for carrying through the new ideas, not only because of the fun of it, but also because it could create a reputation that made him more employable. To summarise, the window of entrepreneurship opened because the board had gained in experience and stability, wanting and demanding a development of the association, and the market for managers could offer a dynamic manager.

In the two cases, the board's capacity and self-confidence is the common denominator. The capacity to accept entrepreneurial action appears to be based on heterogeneity of the board in both cases. The strength of the boards, however, appears to have different origins. In the case of the public association, it was probably the successful settlement of the crisis. In the case of the private riding school, it was the availability of businessmen that made privatisation a feasible solution.

Another common denominator is the availability of resources needed to implement the idea. In the case of the private riding school, the public association had knowledge about two individuals and could recruit them for the idea of privatisation. In the case of the public association, the market for riding school managers could supply the association with a dynamic manager.

A denominator that is not common is crisis or distress. It is claimed that distress is the mother of invention. Our cases show that it is true in one of the cases, but not in the case of the public association, since they could have chosen to continue 'business-as-usual'.

To conclude, neither threats, nor opportunities, are conditions for the window of entrepreneurship to open. Our cases indicate that power of assuming entrepreneurial actions, whether needed or not, appears to be an important condition for the window of entrepreneurship to open in organisations. This supports the assertion that entrepreneurial action is a posture that has resources as a presumption.

INTERPRETATION 2: CLOSING THE WINDOW OF ENTREPRENEURSHIP

The entrepreneurial actions halted in both cases. The development of the private riding school halted after the single proprietor assumed full ownership, which is indicated by

- A.) no new activities have been added,
- B.) no new markets have been explored, except for the high school lectures, which were almost given to her through the same localisation at the establishment, and

C.) the increased size of the business through more employees and more horses is the only striking development of the private riding school since 1985.

The development of the public association halted after the retirement of the manager, which is indicated by

A.) the discontinuation of the jumping competitions

B.) the environmental orientation becoming a routine with low priority

C.) no new activities have been added

The entrepreneurial actions halted in the private riding school. In the build-up phase, the entrepreneurial actions were absent, probably because of the need to create stability and that all her capacity to work was oriented to keep up the activities. In the recent years, she has created so much stability and economy in her riding school, making it possible for her to delegate some of the working load to the employees. Thereby she has created resources, such as spare-time for herself that could be directed towards entrepreneurial actions. No entrepreneurial action has, however, been discernable. Obviously the window of entrepreneurship is closed. One interpretation is that the window closed at the point in time when the contract was created, and the social dimension of the contract strengthens the blocking of the window. She has to appear as a stable and trustworthy partner to the association, in order to get continuation of the contract. Therefore she cannot engage in new businesses that put her core operation at risk. Additionally, she cannot engage in activities that would compete with activities performed or controlled by the association. That would create hostility and a breakdown of the trust relationship. As it is today, she is part of the association's planning process. It gives her a competitive advantage since she can get inside information and be sensitive to the demands of the association. On the other hand, the sensitivity forces her operations to be a function of the association. Thus, she is a dependent subcontractor to the association, restricted to satisfy the demands of the association and not to engage in activities that could compete with the association.

Additionally, she is even bound in size by the establishment. She increased in size when the association moved to the new establishment. Today there is a lack of space and the stables are filled by horses, and the competition to get a new box is harsh. Thus, new activities implying need of additional horses cannot be performed today, as long as she is situated at the establishment.

The incentives for entrepreneurial action could, however, be interpreted as being low. The single proprietor has experienced a continuous growth in size and no obvious threat has been present during the years. Thus, the forces for entrepreneurial action have been weak.

To summarise, the private riding school's window of entrepreneurship is closed because of weak incentives for entrepreneurial actions, and that the product market consisting of the contractual relationship with the public association put limiting restrictions on her possibility to invent new products, and even restricts her possibility to grow within the current business.

The public association lost their dynamic manager. They granted him huge freedom of actions, which he used to develop the association, and thereby to further his reputation, which made it possible for him to get a more prestigious position within the industry. The board were prepared to recruit a similar manager. One indication of this orientation is that they had the opportunity to employ one of the instructors of the association, well-known for her caretaking of the horses and well-planned lectures, but eventually not as dynamic as the former manager. The board recruited, however, an external person. The supply, they complained, were rather limited this time. The recruited person stayed only 6 months and then went back to his ordinary position. Now they are looking for a new manager. Thus, the window of entrepreneurship has been closed due to scarcity of possible dynamic managers.

To summarise the closing of the window of entrepreneurship, consideration about the product market and the restricted managerial labour market were the closing mechanisms. In both cases, a propensity to entrepreneurial action could be present, but not realised because the window of entrepreneurship is closed.

INTERPRETATION 3: INSTITUTIONAL FACTORS FRAMING THE WINDOW OF ENTREPRENEURSHIP

The industry of riding has informal norms that influence the organisations of the industry, putting restrictions on the actor's possibility to act. These norms influence both the form and content of entrepreneurship, i.e., the very frame of the window. Lacking systematically collected empirical data on the norms of the industry, we propose, based on experience from the cases and personal experience, that at least two norms are rather powerful. They are the norm of horsemanship and the norm of the people's movement.

The norm of horsemanship is not an unambiguous norm, but appears to be continuously subject to debate. It says that activities should be guided by maximum caretaking of the horse. The debate is about the content of caretaking. The members of the public association were very upset when they found out that tired and even sick horses were used in the lectures. Some claimed that maximum of lecture time per day is three hours per horse since more hours make the horse tired and even bored. A horse is simply not an instrument for a riding school,

but a goal of the school. This emphatic orientation put limits on entrepreneurial actions regarding riding activities.

The norm of the people's movement says that democratic institutions are preferred, that members and even consumers should have a say in the operations of public organisations, be it governed by a public association or a single proprietor. The institution is so strong that the municipalities pay subsidy for young riders, but only to public associations. The implication of the norm is most apparent in the case of the single proprietor. She has not only to respond to the product market needs, but have to be part of the democratic process of the association. This means not only taking part of the internal information of the association and to be responsive to consumers needs, but to be even more responsive, at least with words, on opinions expressed by the association and the members. Therefore the private riding school needs to express responsiveness towards democratic ideals. This statement is hard to show empirically since it is expressed by the owner, but could be interpreted as a way of making market demand considerations appear as democratic considerations. Her engagement in the planning process has been interpreted as a method of gaining inside information. But at the same time, her presence at the meetings could be interpreted as a demonstration of democracy, being prepared to engage in the democratic processes. She could have stated that any influence on her business should be transmitted through contract. Thus, there are data where our interpretation of it representing democratic considerations, cannot be falsified.

The norms of horsemanship and the peoples movement shows how property rights as described by legal rules, does not exhaust the content of the rights. Informal norms, not coded in legal rules, have to be considered in order to understand the window of entrepreneurship. In fact, it is trivial to realise that social norms have to be included before one realise the content of the actual property rights, those that are effective in society.

CONCLUSIONS AND IMPLICATIONS

It was stated that corporate governance mechanisms influence corporate entrepreneurship thereby opening and closing the window of entrepreneurship. The mechanism of the board of directors was found to be conducive for opening the window in the two cases. The mechanism of the product market and the market for managerial labour influenced the closing of the window. Thereby it has been empirically suggested that corporate entrepreneurship is a propensity that can be triggered and terminated. The mechanisms of governance are influential in both the opening and the closing of the window. To the extent that the mechanisms of corporate governance can be managed, the window of entrepreneurship can be

managed. These mechanisms are, however, embedded in institutions that define the effective property rights, thus framing the window of entrepreneurship.

The model and its empirical application on the riding schools contribute to the literature of corporate governance and corporate entrepreneurship in several aspects. First, it shows that CG mechanisms influence the organisations capacity to engage in entrepreneurial actions. Thereby it supports the assertion that a comprehensive theory of the firm has to include both the governance and the enabling aspect, i.e., both corporate governance and corporate entrepreneurship. Second, it shows that an organisation have a latent capacity for entrepreneurial activities. The capacity can be stimulated by different factors and trigger entrepreneurial action. In this paper we have focused on the governance mechanisms as the stimulating factors. This is the concept of windows of entrepreneurship, claiming that entrepreneurial action is a propensity, thereby rejecting the static view of entrepreneurship as a posture. Third, the paper contribute specifically to the corporate governance literature the idea that property rights have to be considered in order to make the theory of governance capable of explaining the whole range of organisations, including non-for profit organisations and organisations that are operating in exotic industries where institutional influence includes both formal and informal rights.

The model of window of entrepreneurship offered here is, however, less of a theory, but more of a framework. The model lists the governance mechanisms and state that one or more of these mechanisms will influence corporate entrepreneurship, and through this influence open and close the window of entrepreneurship. The framework can be used to explain ex post the relationship between governance and entrepreneurship. A theory should, however, be capable of making predictions, i.e., to explain ex ante. The contribution of this paper is therefore rather limited, restricted to suggest a focus on the relationship, and the need of theory development. Due to the lack of a strong theory, it will be hard to develop a theory about the relationship through other means than inductive reasoning. Thus, the avenue forward in this area is through data collection that is inductively interpreted. It does not imply a focus on case studies, as this paper has had. Since the categories are present, a survey data collection method is quite feasible, using inductive statistical analytical methods.

The praxis implication of the results is that entrepreneurial actions can be managed. Organisations contain latent capacities for entrepreneurial actions. The paper has showed that the capacity can be triggered through corporate governance mechanisms. Thus, an organisation can become entrepreneurial in action through the management of governance mechanisms. Entrepreneurial action does not depend on the existence of an entrepreneur, but

on the existence of the latent capacity. The paper has focused on the triggering of this capacity. If the capacity vary between organisations is left for further research. Nevertheless is has been indicated that conditions of entrepreneurship can be created, and therefore maybe even entrepreneurs can be created. The end of the paper is therefore an appeal for organisations to realise that if in a need of change, you can not only create change, but you can maybe also create the very agent of change.

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