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Dressaging the Riding School Manager: Corporate Entrepreneurship through Governance of Managers in Non-Profit Associations *

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ABSTRACT

A theory based on property rights, predicting relationships between corporate governance mechanisms and corporate entrepreneurship, is developed in order to explain the entrepreneurial propensity of democratic member-based associations. The theory is tested on riding school associations. The findings indicate that the risk attitude of an association is influenced by the size of the market for managerial labour and the methods used in order to develop the manager of the organisation.

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THE PROBLEM OF INTEGRATING GOVERNANCE AND ENTREPRENEURSHIP

Riding schools in Sweden are peculiar firms. They produce the traditional service of riding lectures, educating their pupils in the traditional art forms of dressage and jumping, and in horsemanship. The tradition is inherited from the military infantry's needs of controllable horses and the absolute majority of pupils today are women. Riding schools, as we know it today in Sweden, appeared after the Second World War, when the army was reduced. One peculiar thing with these riding schools is that they appear to be the same today as when they started. The only major change was during the 60-ies when the market changed from middle aged men to mainly consist of women, especially girls. The majority of the riding schools have mainly been offering dressage and jumping. The majority have been organised as non-profit associations, where the pupils had to be members and where the governance is through democracy, i.e., each member influencing through them having one vote each.

Could it be that the static development characteristics of the riding school in Sweden could be attributed to the non-profit association and the governance of it? Thus, we draw attention towards two aspects of a firm, that of governance and that of development.

Corporate governance (CG) has been a subject for discussion and research during the whole 90'ies because of the governance problems of large, listed capitalistic corporations, especially those located in UK and US (Schleifer & Vishny, 1997). The freedom of action that is vested in the top management of these firms could be misused, in the sense of making only top managers happy and not satisfy the needs of the major stakeholder of the firm, which is considered to be the shareholders. The major question in the CG debate has been how these top managers can be controlled. One conception of CG has been mechanisms of governance, i.e., that there exists different institutions with one of their main function being that of controlling the top managers, making them oriented towards the satisfaction of shareholders' needs. At the present stage, the conception is offering a list of mechanisms, including the capital market, the market for managers, the organisations strategy and structure, the auditors, the board of directors and the product market.

An astonishing feature of the debate is that it has been focused on control and the resulting performance of the firm, as if the only major problem of organisations today is that of destructing performance. The mediating factor between governance and performance, that of creating the performance, has been left in negligence. The development of the firm has been the black box of CG. In order to fully understand the link between the governance of an organisation and its performance, we need to simultaneously address governance and development. A promising research field trying to open the black box of organisational development appeared during the 90ies, that of corporate entrepreneurship (CE) (e.g. Covin & Slevin, 1991; Lumpkin & Dess, 1996; Zahra, 1991). Traditionally, research on entrepreneurship has been the tales of great men, very similar to historical science explaining historic development through the stories of heroes. CE is changing that perception of modern economic development through investigating the structure and the processes of an organisation, claiming that business development can be organised, and does not have to rely on the rise of a hero.

The basic contention of this paper is that CG influence CE, and thus the performance of the firm. One possible explanation of the developmental characteristics of a riding school could therefore be found in the governance of the riding school. In this paper we address the governance of the manager through recruitment, development and compensation of the manager and its relationship with developmental features of the riding school.

The paper is limited in scope compared to the grand ambitions of integrating the fields of CG and CE into one coherent theory. The ambition is far more humble, only offering a theoretical investigation into the link between CG and CE concerning managerial labour and a rudimentary empirical test of the theory. A few contributions have done this before, for example Hill & Snell, 1988; Zahra, 1996; Zahra & Huse, 2000; Gabrielsson, 2002. The contrast the present paper is offering is that of the non-profit firm and the riding industry. The focus of CG and CE research has been on large and middle sized capitalistic firms. We develop our theory and test it on small firms that are non-for-profit associations, i.e., they are democratically controlled through members with one vote per member and have no profit motive. CG and CE research has been focused on industries characterised by manufacturing. We put the attention on an industry producing but service, and in the sector of leisure.

The paper continues with the theoretical development of a model depicting the relationship between managerial labour and corporate entrepreneurship. Then follows a section presenting how the data set of the riding schools has been constructed. Thereafter follows the analysis of the data set and conclusions of this endeavour is presented in the final section.

We claim that the non-profit association influences the developmental activities of the riding school through disciplining and enabling the manager of the school. Thus, the basic conception is that the organisational form of a firm is framing the governance structure of the firm, which in turn, influence the entrepreneurial activities of the firm.

The organisational form of the association

The organisational form of a firm is the actual distribution of rights and liabilities of an organisation belonging to the stakeholders of the organisation, mainly those that can be identified as the principals and their agents. This property right conception claims that economic performance is largely determined by the way in which property rights and liabilities are defined and distributed. Basically property rights are rights to control activities and their effects which are specified by the rules of society, be it norms, regulations or legislations, implying a privilege, granted and sanctioned by society (Reynolds, 1983). With this conception we do not need the idea of ownership in order to define the principal of an organisation. Indeed, ownership is mainly a combination of rights and responsibilities with respect to a specific property (Ricketts, 2002), which makes it possible to claim that "…ownership of the firm is an irrelevant concept" (Fama, 1980:290). What is relevant is how the distribution of property rights makes it possible to separate between organisational forms since the distribution define the capacity and the interest of the principal, and thereby it defines the agent.

Alchian and Demsetz (1972) suggested five property rights, i.e. the right to be a residual claimant, the right to observe input behaviour, the right to be the central party common to all contracts of the firm, the right to alter the membership of the firm, and the right to sell these rights. We have added a sixth property right, termed property liability. Property varies according to the liabilities of the property holder. A single proprietor has almost unlimited property liability since the proprietor cannot leave the property and just walk out. A share-holder has almost no liability at all since the only liability is to supply risk capital. A member of a non-for-profit association has even less liabilities since the member does not even supply the organisation with risk capital. Property liability has to be added among the property rights since it presumably influence the risk behaviour of the principal to a large extent, the single proprietor being more risk averse than the member of an association because of the differences in property liabilities.

These characteristics of property rights make a separation of different organisational forms possible. We focus on the non-for-profit association and limit our description to this organisational form, but contrast it with the corporation of pedagogical reasons. The major residual claimants of the corporation are the shareholders since they have the right to claim the profit and the liability to assume the losses defined by the limited liability. The association has no distinct group of residual claimants. Profit and losses are assumed by the organisation until the organisation reach bankruptcy. Then the organisation is dissolved, or, as is the case in Sweden when it concerns associations dealing with youths, saved by the local municipality. Thus, the major residual claimant of a Swedish association is the association and the municipality.

The right to observe the input behaviour, to be the central party of the contracts and to alter the membership belong to the top managers of the corporation and of the association. Formally it is delegated from the board of directors, and can therefore be revoked. Thus, in this respect there is not difference between the two organisational forms. This resembles the characteristics of the two organisational forms of being collective, thus having the problem of collective action, making shareholders and members rather passive actors and inefficient monitors (Hansmann, 2000). The solution the two organisational forms are offering is the delegation of the collective right to the individual top managers. A solution that creates its own problems, that of corporate governance, but at the same time empowers the top managers, thus facilitating corporate entrepreneurship.

The fifth property right is the right to sell these rights and liabilities. The corporation has this right vested in the shareholder, implying that the shareholder can capitalise on the performance of the firm and allocate that value to other investments. There is no trade of property rights in an association. The member cannot capitalise on its investments. On the other hand, the member does not invest money, but time and energy. Presumably this would lead to a more short term orientation by a rational member, investing time and energy for the duration of its membership.

Finally, shareholders of a corporation have limited property liabilities since they have to assume the losses as far as the equity concerns. But after that, they have no liabilities what so ever – of course that is if they have been acting according to the law. Members of an association have no liabilities at all, not even a residual. No liability would induce higher risk since the consequences are assumed by the organisation.

There is, however, a characteristic of the relationship between the member and the association that inverse the risk prediction. Since the member does not invest capital in the association, have no residual rights and no liabilities, a preference for high risk has been assumed. This is to disregard the very cause of membership and its implication on the risk preferences of a member. A member of an association that delivers service has joined the association because of the service. The preferences of a member are towards the fulfilment of the need that stimulated the person to gain membership in the association. Thus, an association internalise its market through making the customers of the association its members. The member influences the association in order to make it satisfy its needs. Lacking residual rights and liabilities, the member has no incentives to radically change the organisation in order to, for example, find new markets, i.e., new members. On the contrary, a member has an interest in the continuation of the service that originally attracted the person towards seeking membership. A member of an association has therefore low preferences for risk and radical change of the organisation.

The distribution of property rights and liabilities in an association would induce the member to be rather passive, to be short-term in orientation and to impute the organisation with low risk. Maybe this characteristic of the member could explain the rather static character of the Swedish riding school. But that is to stare too much on the principal of the organisation. There is an agent as well, the riding school manager.

The governance of managerial labour

Managerial labour is influenced through the recruitment of managers from the external managerial market, through internal selection and development, often termed human resource management, and through the compensation system.

Non-for-profit associations, at least in Sweden, have rather limited possibilities to govern the managers of the association through the compensation system. The organisations have no shares and do not produce profit, thus property shares in the organisation, such as shares and options, cannot be distributed. The economy of many non-profit associations are tight, reflecting its base in the Swedish popular movement with the norm of making the service available for almost everyone in the society and mainly using human manpower instead of capital. If ‘Cash is King’ is the ideological mantra of a capitalistic corporation, the ideological mantra of a Swedish association belonging to the popular movement is ‘Volunteers are Kings’. Lacking strong financial means to discipline and induce action, the association is left with fringe benefits, such as free stable box for the manager’s horse, developmental activities, such as offering conference participation, and symbolic rewards.

The nature of the compensation influences the supply on the market for managerial labour. It can be assumed to be rather limited in size due to the small amount of financial rewards the association is offering. Those people that do not care about the services and the products but are stimulated by the financial rewards, they can assume a position at a steel corporation one day and a position at a consulting corporation the other day. They would probably not consider being a low paid manager at a riding school. Consequently, managers of riding schools are presumably not indifferent to the activities of the school, but find pleasure in the specific activities of the school. This limits the supply of possible managers to a large degree and makes the supply on the market for managerial labour very limited. This has severe consequences on the organisation since the easiest way of governing the organisation, that of employing the right persons with the same world view and preferences as the principal, is restricted due to the limited size of the market.

The development of the manager within the organisation, sometimes termed human resource management, consists of the efforts to educate the manager through courses, to equip the manager with proper experience through selecting the manager to different positions within the firm and to socialise the manager into the value system and culture of the organisation. The restricted opportunity to utilise compensation and external recruitment would presumably put an emphasis on development of managers in non-profit organisations. This emphasis is, however, relative to the weaknesses of the other two methods. In the case of the non-profit association engaged in riding school activities, courses for managers would indeed occur, but also be rather limited in number due to the tight budget of the riding school. Additionally, the possibility to circulate managers in an organisation depends to a large degree on its size, small size implying small opportunities. Since riding schools in Sweden are small in size, the possibility to rotate managers in riding schools is rather restricted. Left is the socialisation of the manager, which is presumably the most important method of controlling in non-profit organisations. Many organisations are ideological in character, with societal goals as the most prominent. For example, riding schools could have the goal to breed their members into horsemanship and democracy, including both upbringing the new generation into conscious and responsible citizens and foster a certain behaviour towards horses.

Another compensation has however not yet been considered. Discretion in certain areas of the organisational activities could be a right given to the manager, which could induce the manager to high performance in other areas of the organisation. This could be assumed to appear especially in firms lacking access to the other devices of influencing managers. It is not without a price, since every action consume time and resources and divert attention from other activities. Additionally, the discretion could be used to put the organisation at risk. These are costs of the incentive mechanism. On the other hand, giving additional discretion could, unintentionally by the principal, lead to improvements for the organisation. Thus, discretion as a compensation could not only induce higher performance, it could also induce entrepreneurial action.

To summarise, we have found that the methods of influencing managers through compensation and recruitment are rather limited in non-profit associations. The development of managers, including education and rotation, is probably more used, and in riding schools we could expect an emphasis on socialisation. Finally, discretion could be a mean towards both compensating the manager and to empower the manager towards entrepreneurial action.

Corporate entrepreneurship

Organisations are always, more or less, changing. Some of the changes are consequences of actions and circumstances out of control of anyone. Some changes are consequences of intentional efforts, where the aim, but not necessarily the result, is to improve the organisation. In this paper, we conceptualise organisational development as corporate entrepreneurship (CE). CE, as it has been developed by Zahra (1991) and others (e.g. Covin & Slevin, 1991; Lumpkin & Dess, 1996) refers to the process of creating new business within established firms to improve profitability and enhance a firm's competitive position or the strategic renewal for existing business. CE includes the creation of new businesses by redefining the firm's products, or services, or by developing markets (Zahra, 1991). We separate CE into two dimensions, risk behaviour and strategic opportunism.

Risk in the financial sense has been conceived in financial theory to be variance of outcomes, no matter if it includes losses or extreme high profits, or probability of losses, as in behavioural finance. Entrepreneurial risk is a combination of variance and probability of losses. A venture having a high variance of extreme profits, i.e., a high financial risk, or a venture where the firm has an abundance of resources that could easily assume the losses of the venture, the entrepreneurial risk is low since it does not threaten the existence of the firm. Thus, our conception of entrepreneurial risk behaviour 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 develop new strategies, be it new products or markets, and finally to redirect its resources (cf. Covin & Slevin, 1991; Lumpkin & Dess, 1996). It is the capability to redirect the orientation of the firm, to deliberately transform the established strategy of the firm.

CE, conceived as risk behaviour and strategic opportunism has been claimed to be a posture (Covin & Slevin, 1991; Zahra, 1991; Zahra & Huse, 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 claim that CE is a propensity, which bind or consumes resources, thus always being associated with costs. A riding school manager that spend one working hour reflecting on the possibility of initiating western riding, redirect one hour of managerial working time from considerations concerning for example production improvements to strategic opportunism. Consequently, firms can be hypothesised to vary their intensity and duration of CE (Zahra, 1993), i.e., CE is a latent capacity to entrepreneurial activities that is triggered by situations that are experienced as critical in the firm, by the principals or other powerful stakeholders. Since CE is a costly activity, firms will tend to economise on CE activities.

To summarise, we claim that CE is a propensity consisting of risk behaviour and strategic opportunism.

Hypotheses of corporate entrepreneurship in non-profit associations

Non-profit associations have a weak governance structure because of short-term and passive members and because of qualitative goals, such as horsemanship, that is hard to observe and therefore hard to evaluate. These characteristics of an association imply that the manager can gain high levels of freedom of action.

When governing the association, the principals have a limited access to the market for managerial labour. Thus, once the manager is recruited, the manager has a hold-up situation in relation to the association.

The managers appear to have a very strong position in the association. The question is; will they use it in order to have a nice slow life, or to develop the organisation through high levels of CE? We hypothesise that they will use it for high levels of CE. A manager in an association is devoted to the task of the organisation, as claimed in the previous section. A manager with some interest in making a career would consider the reputational effects of actions. Due to the limited supply of managers, the reputational effect is limited in effect on the down-side. A high performance in one association will stimulate the other associations to recruit the manager. A failure will reduce the number, but because of limited supply, many associations are still on the market, maybe rationalising their interest through believing that it was an accident, or because of bad governance. Thus, reputation in a limited market has a step front-side and a very slight down-side. The similarity with the shareholders' limited liability is striking. We therefore expect that the normal assumption of managers, them being risk averse, is not applicable on managers in a limited market, such as the market for managers in non-profit associations. Putting the organisation at risk offers the manager the possibility to get a far better job in the future, or only a slight worse, or even equal to today's job, if the venture would fail and the organisation would go bankrupt. Thus, we hypothesise:

The managers of an association will stimulate risk behaviour.

Managers are not compensated by financial means. Some symbolic incentives exist since some non-profit organisations have a very high societal esteem, such as the Red Cross. But the major incentive we found in the former section was the discretion delegated to the manager. With this discretion the manager can engage in activities that fulfil the ideological needs of the manager, but more important, the activities can create situations that create some attention, thus improving the reputation of the manager. The manager could therefore be expected to engage in strategically opportunistic acts. Since the intention partly is directed towards the reputation of the manager, the actions do not need to be long-term. They have to prolong during the time when the attention is created. After having gained a new position at another association, it will not influence the reputation, and thus be of no importance for the former manager. It can therefore be assumed that the strategic opportunistic act is not made in order to be endurable and long-term. Thus, we hypothesise:

The managers of an association will stimulate strategic opportunism,

Facing these two hypotheses with the opening statement of riding schools to be static, creates a paradox. If the managers of an association are so dynamic, so oriented towards risk behaviour and strategic opportunism, why does the industry appear to be so static? One reason could be that there are governance mechanisms present that discipline the managers. In the previous section we found three methods of influencing the manager, external supply, internal development of managers and the compensation system. Maybe they have some power in reducing the discretion of the managers?

It has been hypothesised that a limited supply of managers on the external market for managerial labour influences the control capacity of the association. A riding school that experience difficulties in recruiting a manager is more dependent on the manager than the manager is on the riding school, i.e., the riding school is facing a hold-up situation. The consequence of the hold-up situation is that the preferences of the manager have a considerable impact on the organisation. Thus, our claim is that the view of the supply of managers influence the discretionary power of the manager, a huge supply will make the manager more sensitive to the risk attitude and strategy of the association i.e.,

> *Supply of managers on the external market for managerial labour is negatively correlated with risk behaviour and strategic opportunism.*

The association could use internal recruitment of, for example, instructors, to managerial positions. There are two opposite reasons for using the internal market. One reason is that the association has found a person that appears to have the right preferences and the right capacity that is needed. That situation would increase the governance capacity of the association and thereby reduce the organisation exposure to managerial preferences. The other reason is that the supply on the managerial labour market is severe restrained, forcing the association to internal recruitment. This is an extreme hold-up situation, making the association extremely vulnerable to managerial preferences. Thus, we claim that in the case of large external supply, internal recruitment will reduce the risk and strategic opportunism, but in the case of a restricted supply, the risk behaviour and strategic opportunism will increase, i.e.

> *When the external market for managerial labour offers a huge supply, the use of internal market for managerial labour will be correlated with low risk behaviour and strategic opportunism.*
> *When the external market for managerial labour offers a limited supply, the use of internal market for managerial labour will be correlated with high risk behaviour and strategic opportunism.*

It has been hypothesised that developing methods, i.e., human resource management, could be an important governance tool when other tools, such as recruitment and compensation, are restricted. Education could be offered as a mean of rewarding specific behaviour, and could be used to influence the manager's perception and values. Thus, management development has both ex ante and ex post control capacity. We therefore claim that the use of development methods will reduce the vulnerability of the organisations, i.e.,

> *The use of developing methods, such as education and conference participation, is negatively correlated with risk behaviour and strategic opportunism.*

Finally it has been hypothesised that associations have a limited supply of compensation mechanisms, which increase the discretionary power of managers. Indeed, we found that it could be conceivable that discretion could be the only strong reward an association can offer a manager, making the organisation extremely exposed for managerial preferences. We therefore claim that the control capacity of an organisation vary with the number of compensation mechanisms available for the organisation, i.e.,

> *The use of a variety of compensations is negatively correlated with risk behaviour and strategic opportunism.*

Our theory of the relationship between the corporate governance mechanism of managerial labour and corporate entrepreneurship can be summarised as the following: The outcome of the conflict between the low risk behaviour and strategic opportunism of the members and the high behaviour and strategic opportunism of managers is influenced by the supply of managers on the external managerial labour market, the use of internal recruitment, the use of developmental methods and the variety of compensations.

DATA

Data has been collected through questionnaires sent to riding schools. The idea was to investigate all Swedish riding schools which, according to the Consultant of the National Equestrian Federation (Ulf Vilken, personal communication) amount to about 500. The Swedish Riding Federation has no clear definition of a riding school, making it hard to separate riding schools in their membership archive, including 1020 associations, from other riding associations, such as those specialised in arranging competitions and educating horses. Thus, the probability that an address included a riding school, with the core business being that of teaching dressage, jumping and caretaking of the horse, was about 50 per cent. At the covering page it was therefore possible for them without the service riding to put a cross and they were asked to send the questionnaire back. They who had a riding school were asked to continue.

From the 1020 addresses, 399 questionnaires were returned. 311 indicated that they do not have a riding school, and 88 indicated that they have a riding school. Out of these have 10 answered that they do not have time or the interest to participate in the survey, and usable questionnaires amounts to 78. Out of these 78 have 60 stated that they are organised as a non-profit association and these answers represent the respondents.

The questionnaire (available from the authors) includes mainly closed questions which have been formulated with the help of two earlier conducted case studies (one reported in Collin & Smith, 2003).

The corporate governance through managerial labour has been claimed to be conducted through the recruitment of managers from the external managerial market, through development methods and through the compensation system. Corporate governance will influence corporate entrepreneurship, consisting of two dimensions, strategic opportunism and risk behaviour.

Recruitment of managers has been operationalised through two statements considering the supply on the managerial market and whether they prefer to recruit a new manager externally. The respondents were asked to mark on a seven-graded scale whether they disagree or agree with the statements that “recruitment of managers is facilitated as there are many to choose from” and “a new manager will be externally recruited, i.e. not coming from the riding school”.

Development of the manager has been investigated by asking the respondents if managers are compensated with further education and with participation at conferences. These two methods have been added into one variable measuring the frequency.

The compensation system has been investigated with one question asking the respondents to mark which of ten alternatives that the managers receive as compensation(s) for their work. Riding schools tend to have bad economy and it is of interest to see if other forms than pure financial rewards are offered, e.g. stable place for free or at cost price, or whether the managers are allowed to have lessons on the riding schools’ horses and at their establishments. As the managers could be assumed to work voluntarily that alternative is included as well and since more than the 10 alternatives could exist, an 11th alternative “other, please specify” was offered. The number of compensations marked has been added into one variable claimed to investigate variety of compensations. The variable of number of compensation methods excludes further education and participation at conferences since they are part of the developmental methods.

The dependent variable is CE, and it is represented by two variables, one measuring strategic opportunism and one measuring risk behaviour. The common way of investigating CE tend to be by using scale-questions (e.g. Zahra 1991; 1996; Gabrielsson; 2002) and this survey follows the trend.

Strategic opportunism is investigated with four statements aiming at finding out if the riding schools put a lot of effort into coming up with new ideas for development, either for new or for existing members, within the same activities or by developing new. To measure the reliability of these statements Cronbach’s alpha was used. The generally agreed lower limit for Cronbach’s alpha is .70, although it may decrease to .60 in exploratory research (Hair et al., 1995). Testing the four statements of strategic opportunism with Cronbach’s alpha resulted in an α-value of .5305. This alpha value is acceptable since the empirical object of riding schools is new within the field of CE. The sum of the four statements will be used for measuring strategic opportunism. Kolmogorov-Smirnov test indicates that the data has normal distribution, thus in no need of transformation. This implies that multiple regressions can be used as an adequate analytical technique.

The second dimension of CE is risk behaviour. The ambition was to measure the concept of risk with seven statements. Testing these statements with Cronbach’s alpha resulted in an alpha-value of .2432 and can due to this low reliability not be claimed to measure risk as one coherent concept. Factor-analyses indicated that some statements were related but the alpha-value remained low. Therefore have two statements concerning economic risk been selected and claimed to represent the variable of risk, i.e. “it is important that the current activities do not threaten the economical security of the riding school” and “the new projects that the riding school chooses do not threaten its economical security”. Due to high skewness (-0,904), the data was transformed into a dichotomous variable, where 1 represented high risk associations, which ranged from 2 to 12, and 0 represented low risk associations, ranging from 12 to 14. The variable being dichotomous implies that the regression technique to be used is the logistic regression.

To investigate the character of the managerial tasks a question was added that asked how frequent the managers brought forth ideas for development of different activities. Development was divided into three different types, i.e. development of the activity riding which is the core business, development of already existing activities, excluding the activity riding, e.g. a riding school arranging jumping competitions and deciding to start with dressage competitions instead, and development of new activities, e.g. youth centre, café, activities that have not been part of the riding school before. The separation of the development was noticed from the case studies, and is of importance since not all development can be summarised in but one aspect. The respondents were then to mark on a four-graded scale how frequent, i.e. often, sometimes, rarely, and never the manager brought forth ideas. Is has, however, to be remembered that these definitions are rather vague and the answers will depend on the respondents' interpretation and understanding of the frequencies, which presumable vary with each individual.

It was also of interest to find out if initiatives and implementations of future activities are in the hands of the managers or if it can be claimed that the managers are more focused on the administration of the core business, the service riding. The respondents were asked to mark on a seven-graded scale whether they agreed or disagreed with three statements; "the manager has the responsibility of planning future activities", "the manager has the responsibility for initiating future activities" and "the manager mainly develop the service riding". The data on these statements have normal distribution.

Thus, the CG mechanism of managerial labour is investigated with statements investigating the recruitment of managers from the external managerial market, a closed question asking for managerial compensation aims at investigating the internal selection and development as well as compensation system. CE is investigated with two variables, one variable investigating strategic opportunism including four statements, and one variable investigating risk behaviour including two statements. To receive further information about managerial tasks within the riding industry statements and closed questions concerning managerial responsibility for developmental activities have been asked.

ANALYSIS

The number of respondents that could be used in all analyses were n=44. We start the analysis by analysing the independent variables.

Supply on the external market for managerial labour

The managerial market has been claimed to have a shortage of managers. The analysis of the statement investigating this aspect "recruitment of managers is facilitated as there are many to choose from" could be claimed to confirm this statement, since even though the mean is 3.48 (7-p. scale) the median is 2 and 52 per cent of the answers are present within in the two lowest rankings, suggesting the supply of mangers to be experienced as small.

However, if riding schools recruit internally they could be claimed to be less affected of a small managerial supply. The statement investigating internal or external recruitment, i.e. "a new manager will be externally recruited, i.e. not coming from the riding school" received however a mean of 3.86, (7-p. scale) and a median of 4 with high dispersion, indicating that riding schools can therefore not be expected to prefer only one method of recruiting.

To see whether opinions about managerial supply are related to external recruitment the two statements have been correlated, the reason for this is that riding schools recruiting externally could be expected to be more positive towards the supply on the external market for managerial labour. Due to uneven distribution, the two variables were recoded into 1 representing 1-3, 2 representing 3, and 3 representing values between 4 and 7. Weak significant correlation were found (Spearman correlation, p=0,09), which indicates that if experiencing a large supply, riding schools have a preference for external recruitment.

Summarising the analysis of external supply, we found that riding schools do not have a specific preference for external or internal recruitment, but if experiencing a large external supply, they could have a tendency to prefer external supply.

Internal selection and developmental methods

Internal selection, i.e. education, experience and socialisation has been investigated with whether managers are compensated with further education and/or participation at conferences.

Half of the respondents, 56,5%, claims that their managers are offered further education, 36,4% claims that their managers are compensated with participation at conferences. A Chi-2 test of the two forms of compensations indicates a relationship (sig.

0,013). The cross tabulation (table 1.) shows that a riding school is likely to avoid the combination ‘no education’ - ‘conferences’. Since the developmental methods are not only developmental methods, but could be part of the compensation system as well, the frequency of 63,6% for the use of one or two developmental methods could be considered to be low. It could be an indication that managers are not governed by developmental methods.

Table 1. Distribution of developmental methods

	No participation at conferences	Participation at conferences	Total
No further education	16 (36%)	3 (7%)	19 (43%)
Further education	12 (27%)	13 (30%)	25 (57%)
	28 (64%)	16 (36%)	44

System of compensations

Managerial incentives have been claimed to be an important way of stimulating managers. The most frequent way of rewarding the managers is with wages and 91% of the managers have been stated to receive wages. Further education is also frequently occurring, 57% of the respondents have indicated this form of compensation. 34% have stated that the managers have the possibility to earn some side money through giving private lessons at the riding school without paying rent for the use of the establishment. Only one respondent stated compensation in form of bonuses when lesson-groups are filled. Two respondents have indicated that their managers do not receive any compensation at all.

Table 2. Compensation system

Compensation	n	%
Wage	40	91
Further education	25	57
Participation at conferences	16	36
Possibility to give private lessons at the riding school’s establishment without paying rent	15	34
Stable place for free	8	18
Stable place at cost price	8	18
Possibility to give private lessons at the riding school’s establishment if paying rent	8	18
Possibility to borrow the riding school’s horses/ponies for private lessons	8	18
Others	2	4
No compensation	2	4
Bonuses, e.g. when lessons groups are filled	1	2

Adding the number of compensations gives a mean of 3,03 numbers of compensations used, with a standard deviation of 1,54. Excluding further education and participation at conferences, as the argument is that it is part of developmental methods, the mean decrease to 2,09 and standard deviation is reduced to 1,05. The riding schools do not appear to use a variety of methods for compensating their managers, which indicates that compensation is not used as a governance tool.

Hence, the supply on the managerial labour market is felt to be small, and there is a relation between experience of managerial supply and recruiting externally. Almost half of the respondents do not use developing methods, such as further education or participation at conferences. The majority of the managers receive financial compensation in form of wages. Further education, participation at conferences and possibility to give private lessons at the riding school's establishment are also common ways of compensating. The mean of numbers of compensations is low, around 2.

The two dimensions of corporate entrepreneurship

Corporate entrepreneurship has been investigated using a two dimensional concept. The variable of strategic opportunism has a range between 8 and 27, a mean of 17, standard deviation being 3,92 and a median of 16,5, thus indicating a slight reserved attitude towards strategic opportunism. The variable of risk was collapsed into a dichotomous variable. The number of low risk associations was 50%.

The correlation between these two dimensions is of interest since the hypotheses has been treated them as being positively correlated. According to a t-test, there is a weak significant difference (t=1,73, sign=0,091) between the mean on strategic opportunism being 18,00 for low risk associations and 16,00 for high risk associations. Thus, we have a slight indication of a rather peculiar relationship, that of negative relationship between risk and strategic opportunism.

Multiple regression analyses

We conducted an OLS multiple regression analysis using our strategic opportunism variable as the dependent variable. The dichotomous risk variable implied the use of a logistic regression technique. The summarised results are presented in table 3.

Table 3 Multiple regression on corporate entrepreneurship

Dependent variable	Strategic opportunism	Risk
External supply	0,49†	-0,29*
Developmental methods	-0,01	-0,82†
Number of compensations	-0,21	0,29
Constant	15,9***	1,15
F-value/Chi-square	1,35	9,3*
R^2	0,09	19,1 (Cox&Snell)
Number predicted	-	68,2

***<0,000, **<0,01, *<0,05, †<0,1

The two models have a low explanatory power. Strategic opportunism has a non-significant model. Thus, we cannot explain an association's preferences for strategic opportunism. The risk variable is most correlated with the experience of the external supply, indicating a support for our hypothesis that a huge supply of managers will reduce the manager's impact on the organisation. A weak indication is also found for the hypothesis that the use of developmental methods restrains the manager from implementing the managerial risk attitude.

An extended analysis focusing on strategic opportunism

So far has the mechanism of governance and its influence on CE been tested, with rather restricted results, especially for strategic opportunism. A further analysis of the managerial influence on developmental activities has been conducted with three statements and an analysis concerning suggestions for developmental activities.

Three statements were given aimed at finding out whether the managers are responsible for planning and carrying through developmental activities, be it overall activities or activities that are part of the core business, i.e. planning for future activities, initiating future activities and develop the activity riding. The statement concerning development of the activity riding, received the highest mean, 4,74 (7-pointed scale) where 38 per cent of the respondent completely or almost have agreed that the managers mainly develop the activity riding, (they have marked 6 and 7). The other two statements had means of 4,63 (planning) and 4,71 (initiating), indicating managers to plan for the future and initiate future activities.

A correlation of these three aspects results in two significant correlations. Planning future activities is significant correlated with initiating future activities, Pearson corr .731, sig. .000. Planning future activities is weakly negatively significant correlated with developing the service riding, Pearson corr -0,283, sig. 0,085. A weak significant negative correlation is present between initiating future activities and develop the service riding, Pearson -0,279, sig. 0,085. Thus, the mean of the statements indicated that managers more likely develop the service riding than being responsible for planning and initiating future activities. The relationship appear to be the more developing of the service riding, which is the core business, the less planning and initiating of future activities.

The respondents have been asked to mark how frequent, i.e. often, sometimes, rarely or never, the managers come with suggestion for development, i.e. development of the activity riding, development of already existing activities, or development of new activities.

The analysis indicates that managers most frequently come with suggestions for development of the activity riding (mean 3,52, 4-p. scale), this activity is followed by development of already existing activities (mean 3,2), and less frequently do managers come with suggestions for development of new activities (3,15). Thus, we believe that managers primarily develop the activity riding. If that is the case, it could very well be the case that governance of strategic opportunism is not captured through governing managerial labour, but through other mechanisms. Indeed, the impression is that managers are rather limited in their capacity to induce strategic opportunism. Their risk behaviour, on the other hand, is more prone to be implemented in the organisation, that is, if the governance mechanism leaves it discretion.

CONCLUSION

Our theoretical conviction is that CG influence CE through restraining and empower the organisation towards development. The focus has been on the association characterised by democratic ruling through members in a small industry where horsemanship is a central value. The distribution of property rights frame the capacity of the principal and the agent, and the usage of the different corporate governance mechanisms influence directly the entrepreneurial propensity. The paper has been limited to governance of managers through the recruitment, development and compensation of managers. It has been hypothesised that the apparently low level of development of riding schools is due to the property rights distribution influence on the preferences of the members. The preferences for high risk and high strategic opportunism that were hypothesised to be the characteristic of riding school managers are hold back by the governance mechanism of recruiting, developing and compensate the manager. Empirically our conviction showed to be weak. Only risk appears to be influenced, and it is influenced by the external supply of managers and the use of developmental methods.

One reason for empirical failure is bad data and bad operationalisation of the theory. The paradox is, however, that the dependent variable with highest reliability was strategic opportunism, which where the variable that could not be explained by our hypothesised factors. Another reason for the empirical failure is that we have only investigated one corporate governance mechanism influence on CE. Other mechanisms could be more influential on influencing risk and especially strategic opportunism. Indeed, the board of directors could be expected to have a decisive influence on associations. It is the centre for member power, and probably the battlefield where the direction of the association is decided. Thus, we need to take other mechanism in consideration in order to find out the marginal contribution by each mechanism.

We have emphasised that the property distribution of an organisational form influences the organisation's propensity for entrepreneurial action, and that corporate governance mechanisms can be constructed to support these preferences. It gives a rather pessimistic view of associations since the basic hypothesis is that of conservatism. The theory could, however, be turned on its head since it is claimed that CG mechanisms influence CE, making it possible to influence entrepreneurial action through manipulating the governance mechanisms. The distribution of property rights influence CG and CE, but it does not determine CG and CE. If the tendency of an association is known and understood, it can be circumvented. It evades, however, the legitimate right of the principals to put their mark on the organisation and constitute in itself an agency problem. The democratic character of an association has to be respected, which implies that the first thing to do is to influence the preferences of the members. If that can be attained, then the CG mechanisms can be designed in order to ease the constraints on the managers' discretion and to support the managers' wills towards entrepreneurial action.

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