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Models of Entrepreneurs

Whereas the tasks and scenarios around which new ventures develop are quite general, the particular skills, personality traits, styles, and motivations of entrepreneurs can vary substantially. Schumpeter offers one view in his description of the entrepreneur in the profit-making sector:

the personality of the capitalistic entrepreneur need not, and generally does not, answer to the idea most of us have of what a "leader" looks like, so much so that there is some difficulty in realizing that he comes within the sociological category of leader at all. He "leads" the means of production into new channels. But this he does, not by convincing people of the desirability of carrying out his plan or by creating confidence in his leading in the manner of a political leader—the only man he has to convince or impress is the banker who is to finance him—but by buying them or their services, and then using them as he sees fit.¹

It is doubtful that this is a wholly adequate description even of the modern profit-making entrepreneur, especially in the context of the large, modern corporation. Nevertheless, the distinction between market-oriented and people-oriented entrepreneuring is useful. The political skills of leadership may be much more important in the public and nonprofit sectors than they are in the profit sector. In the former sectors, it is often not possible and certainly not sufficient to demonstrate to one's banker that a new concept will sell. Furthermore, the trust that the nonprofit or public entrepreneur can engender in his sponsors is often important because the promised results of the new service, methods, and so on will be much harder for sponsors to judge without a market test. Thus sponsors presumably must be confident of the entrepreneur's intentions.

The differences in entrepreneurial skills required in different sectors and industries may correspond to psychological characteristics identified in entrepreneurs by David McClelland.² Specifically, McClelland describes achievement-oriented, power-oriented, and affiliation-oriented individuals. Private-sector entrepreneurs are found to be achievement oriented, judging themselves by concrete indicators of accomplishment rather than recognition by, or control of, others:

the need to achieve . . . was one of the keys to economic growth, because men who are concerned with doing things better have become active entrepreneurs and have created the growing business firms which are the foundation stones of a developing

economy. . . . Some of these heroic entrepreneurs might be regarded as leaders in the restricted sense that their activities established the economic base for the rise of a new type of civilization, but they were seldom leaders of men.

Entrepreneurs in the nonprofit and public sectors are also achievers, but, often not to the exclusion of interests in power and affiliation, because the latter interests are closely associated with enjoying and working effectively with people. Indeed, McClelland recognizes that "studying the power motive may help us understand managerial, societal, or even political leadership better," particularly the need for "socialized power," which "is characterized by a concern for group goals, for finding those goals that will move men, for helping the group formulate them, for taking some initiative in providing members of the group with the means of achieving such goals."

It seems clear that entrepreneurs in any context are achievers in some sense and that they possess certain rare talents of promoting ideas and organizing people and resources. What is less clear are the underlying personal objectives of such achievement, energy, and application of skills. Why do entrepreneurs choose to do what they do? Few scholars have really probed this question, although it seems relevant to the character that entrepreneurs impart to the organizations and projects that they nurture. Because the literature on entrepreneurs is thin, this discussion draws on studies of other classes of organizational participants as well as on some studies of entrepreneurs.

Chapter 2 noted Weisbrod's study of lawyers of equal credentials who chose to work for nonprofit rather than profit firms and Hansmann's theory of entrepreneurial screening between the profit and nonprofit sectors. Weisbrod implies two kinds of motivations—income enhancement and public spiritedness, as manifested in legal work directed to social causes. Hansmann also implies dual motivations—income and professional pride, as reflected in the quality of the institution one manages.

Cornuelle cites the desire to serve as helping differentiate the nonprofit sector:

In the commercial sector, the motivation is the desire for profit. In the government sector, the motivation is the desire for power. . . . But in the independent sector, the motivation in its purest form, is the desire to serve others. . . .

Whether the desire to serve arises from self-denial or egomania, it is a compelling drive.³

Vroom, in his study of work and motivation, also notes both the economic and noneconomic motivations of organizational participants, including entrepreneurs:

The evidence concerning noneconomic incentives to work is not restricted to people's reports of their motivations. The existence of "dollar a year men," who work with only token economic rewards and entrepreneurs who continue to work after having amassed tremendous fortunes, is well known.⁴

Vroom also cites Miller and Form, who observe:

The motives for working cannot be assigned only to economic needs—for men may continue to work even though they have no need for material goods. Even when their security and that of their children is assured, they continue to labor. Obviously, this is so because the rewards they get from work are social, such as respect and admiration from their fellow man.

In his study of voluntary organizations in the political area (that is, in Hansmann's terminology, mutual-donative nonprofits such as lobby groups), Wilson also cites a variety of economic and noneconomic incentives for participation by members.⁵ These encompass material compensation, including monetary benefits of various kinds, specific intangible rewards such as honors, offices, and personal deference, social satisfactions such as the camaraderie, conviviality and general prestige associated with membership, and purposive satisfaction associated with achievement of the organization's formal social or political goals. Presumably such motives pertain to entrepreneurs as well as to general members of such organizations, although just what distinguishes the entrepreneur is somewhat unclear. Wilson suggests that entrepreneurs may have an exaggerated sense of their likely efficacy, that is, the probability that they can lead the organization to fulfill its formal goals, or they may have an exceptional commitment to such purpose.

The commitment to purpose and to change is what Winter seems to have in mind in describing at least one brand of achievement-oriented innovators:

A careful study of the Puritan impulse towards reform . . . suggests that . . . radical innovators, who are possessed of a transcendental concern for change and excellence (i.e. achievement needs), have always been bitterly attacked by their contemporaries as a small minority of dissident disrupters. . . .

Because of their fundamental needs for achievement, rather than power, these new radicals can be understood as Puritans. They call for a quasi-religious enthusiasm for animation of the individual person, who is then a directed agent of radical social change.⁶

Economic, social, and substantive policy and service motivations (beliefs) all fall within the spectrum of forces that drive entrepreneurial behavior. As Winter notes, however, another consideration is what is commonly referred to as power. McClelland and Watson have studied the power drive, which they distinguish from achievement motivation:

Recent studies . . . support the conclusion that the incentive for a power-oriented person is to "have impact," to "stand out" in some way, or to be considered important. He may pursue this incentive in a variety of ways— by trying to win arguments . . . by collecting prestige possessions . . . by nurturing others, by being aggressive, or even by drinking to increase fantasies of personal power . . . [by] doing well at a task, the achievement incentive, but only in a public situation where others will notice the superior performance and probably only where the person can stand out relative to others—that is, can be judged *superior* to others.⁷

In some contrast to the foregoing highly directed and purposive types of motivations, some scholars have identified other, less delineated or more groping varieties of personal motives for ventures. Shapero, for example, observes the valued autonomy and independence of the street hawker, and the search for these goals by employees frustrated by their organizations.⁸ In a related observation Shapero also notes that there are both one-time and chronic entrepreneurs. Having achieved independence or resolved a personal search, a given individual may venture no longer. For others, however, the seeking of power, material reward, or other objectives may be ongoing.

The panoply of motivations that may enter the organization member's (and entrepreneur's) calculus, has been conceptualized by some authors into sets of stereotypical managerial and entrepreneurial actors. A recent effort of this kind is Maccoby's study of corporate leaders in the profit-making sector, *The Gamesman*.⁹ In this work, based on several hundred psychological interviews of managers in growth-oriented technology-based corporations, the author identifies four types of managers, two of which normally exhibit entrepreneurial behavior. These are as follows.

The craftsman is motivated by the "pleasure in building something better" and derives his satisfaction directly from the quality of the product that he is responsible for producing. Maccoby includes some corporate scientists in the category of craftsman, but he puts other scientists in a different category, which he discusses only briefly because of their sparsity in the ranks of management. According to Maccoby, "What most distinguishes (these) 'scientists' from the craftsman is their narcissism, their idolatry of their own knowledge . . . and their hunger for admiration: They are the corporate intellectuals."

The jungle fighter lusts for power, derives pleasure from crushing opponents, fears defeat, and wants only to be number one. Maccoby identifies two subtypes of jungle fighter. "The lions are the conquerors who . . . may build an empire; the foxes make their nests in the corporate hierarchy and move ahead by stealth and politicking."

The company man also fears failure, desires approval by authority, and finds his sense of identity by being part of the "powerful, protective company." The company

man is thus committed to maintaining the organization's integrity.

The gamesman derives satisfaction from the process of competition. He "responds to work and life as a game . . . enjoys new ideas, new techniques, fresh approaches and short cuts." As with the jungle fighter, but for different psychological reasons, "his main goal in life is to be a winner."

In Maccoby's view, the jungle fighter represents the old-style entrepreneur, the post-Civil War robber barons, such as Andrew Carnegie. The gamesman represents the more civilized, slick, and in many ways more sophisticated modern-day equivalent, the source of dynamism for the large corporation in the complex, governmentally regulated world of the 1960s and 1970s. The craftsman and the company man are more conservative types, lacking the interest or daring for major entrepreneurial ventures. As discussed below, however, some traits of the craftsman and the company man, and even Maccoby's denigrated scientist, are relevant to entrepreneuring in the nonprofit world and in the proprietary and public sectors in industries where nonprofits participate. The craftsman, for example, represents pride and accomplishment in the quality of programs or organizational design. Aspects of the scientist may be seen in some entrepreneuring individuals who seek recognition for their leadership in professional disciplines. Finally, the company man may represent loyalty to cherished traditions that can underlie entrepreneuring behavior designed to rescue failing institutions (in the problem-response mode).

The stereotype approach is also used by Downs to describe styles and motivations of officials who populate the ranks of public bureaucracies.¹⁰ Again, a subset of these seem more inclined toward entrepreneurial behavior, yet each type might be so motivated in the appropriate circumstances. Downs's characters are divided into purely self-interested and mixed motive categories. The self-interested types are climbers, who "consider power, income, and prestige as nearly all-important in their value structures," and conservers, who consider convenience and security as nearly all-important.

The mixed-motive types are zealots, who are "loyal to relatively narrow policies or concepts" and who "seek power both for its own sake and to effect the policies to which they are loyal"; advocates, who are "loyal to a broader set of functions or to a broader organization. . . . They. . . seek power because they want to have a significant influence upon policies and actions concerning those functions or organizations . . . "; and statesmen, who are "loyal to society as a whole and . . . desire to obtain the power necessary to have a significant influence upon national policies and actions. They are altruistic to an important degree because their loyalty is to the 'general welfare' as they see it."

Downs's climbers resemble Maccoby's jungle fighters and gamesmen; his conservers and, perhaps, advocates are breeds of company men. The mixed-motive

types are especially interesting. They acknowledge that, although some people may be exclusively self-interested, others are something of a mix. More important, this category provides recognition that beliefs and loyalties to purposes larger than one's self are a genuine source of motivation to participants in organizations. Downs's analysis is directed to the public sector, but such motivations are often strong in the nonprofit sector as well.

To proceed analytically with the present investigation of entrepreneurial behavior, there are essentially three options. One is to recognize that man is a complex, adaptive, and dynamic creature whose motivations are mixed and changing. Thus an entrepreneur may be characterized as having some combination of motives that may vary as he grows older, gains experience, and meets new circumstances. Furthermore, the motivation mix varies from individual to individual. This assumption clearly conforms closely to reality, but is cumbersome for developing analytical models capable of producing incisive and unambiguous hypotheses and insights.

A second approach, popular among economists, is to assume that all men are basically the same and may be characterized by some specific static set of objectives that enter a common utility function. Better yet is to assume that a single motive, such as income maximization, prevails. An intermediate approach is to identify instrumental or proxy variables that capture various entrepreneurial goals in a single index. For example, Niskanen's notion of budget maximizing is intended to represent a package of status, power, and income seeking by bureaucrats.¹¹ Another example is found in the theory of managerial discretion presented by Williamson and others.¹² According to this theory the corporate manager in the private sector is assumed to maximize his own utility. The arguments of the postulated utility function include a few key variables, such as organizational staff and emoluments, that proxy the status, income, and power objectives.

The single-objective or proxy-utility approach allow analytical (mathematical) elegance and simplicity but are rejected here as strategies for characterizing the behavior of nonprofit entrepreneurial activity. For one thing, these models are exclusively focused on managers, yet entrepreneurs need not always become managers of their enterprises. Indeed, entrepreneurs sometimes develop their ventures with the specific intent of turning them over for others to administer. In addition, empirical observation suggests that entrepreneurial motivations are quite varied and not easily captured by one or two proxy indices such as staff, emoluments, or surplus revenues. The monolithic utility approach puts the entire burden of explaining differences in economic behavior on environmental parameters and incentives structures such as laws and prices by assuming no variations among men. Although this approach may simplify the study of alternative institutional arrangements, it is incapable of recognizing some potentially

important implications for social behavior that are based on differential response to environmental factors or policy variables. For example, a model that focuses solely on monetary incentives is valid only if it can be shown that individuals not singularly devoted to profit have been weeded out, (that is, that the relevant world consists only of those actors of a given motive). Otherwise, such a model will fail to account for the behavior of individuals motivated by other factors and relatively indifferent to monetary gain. In the nonprofit and public sectors, it is unreasonable to assume that a single, or even uniform, mix of motives is manifest, hence a monolithic utility model seems inappropriate. Even in the profit sector, as noted in chapter 2, more traditional economic scholars such as Williamson¹³ and behaviorists such as Simon¹⁴ and Cyert and March¹⁵ have recognized the significance of the multipart, diverse nature of corporate management.

Many economists do argue that in the competitive, profit-making sector any variety of entrepreneurial or managerial motives is unimportant because those who choose not to emphasize profits will be driven out of business. This argument is hedged in the case of a less than perfectly competitive profit sector by those of the managerial-discretion school, who offer the notion that, whereas profitseeking remains of paramount importance, profit levels above some acceptable minimum may be traded by management for items of personal utility. This idea has even been extended to the public sector by Roger Parks and Elinor Ostrom, who model the public-sector official as exchanging a certain level of net public benefits (called a benefits residuum) for personal utility as proxied by staff levels.¹⁶

In the nonprofit sector, there is certainly a large margin of entrepreneurial discretion, and nothing closely resembles a profit criterion or a benefits residuum to which entrepreneurs are strongly held by market, political, or other external forces. (See chapter 8.) This is not to say that nonprofit entrepreneurs face no constraints or that they are completely unaccountable for their actions; rather, the sources of accountability and constraint on ventures are so variable, diverse, and diffuse as to allow for a wide spectrum of possible motivations and resulting behaviors.

It may be argued that much of what is called entrepreneurship constitutes attempts to change, rather than play by the existing rules and environmental constraints. For example, in the commercial sector, firms try to take control of, rather than respond to, prevailing price structures, perhaps so that they may comfortably indulge in pursuits other than pure profit making. In the public and nonprofit sectors, the desire for new legislation or new sources of funds also reflects the desires of entrepreneurs to change the environmental parameters that confine their abilities to pursue a variety of motivations. Simply assuming that entrepreneurs with some fixed set of objectives will maximize these objectives subject to accepted constraints often misses the point, that is, it ignores the dynamic element involved in achieving the social or economic change

desired by entrepreneurs. Hence, a theory based on entrepreneurship inherently conflicts with the constrained-optimization approach of neoclassical economics and requires more of a behavioral framework in which innovation and rule- and process-changing activity is explicitly recognized.¹⁷

A third approach to the investigation of entrepreneurial behavior is to recognize the diversity of motivations by postulating alternative stereotypes, in the manner of Maccoby and Downs. This approach is qualitatively different from specifying a single utility function, even one that incorporates a variety of competing objectives, because it recognizes that given motivations and styles may be distributed differently among individuals in the relevant entrepreneurial population and may be pursued in different ways. It thus allows for alternative types of entrepreneurs pursuing different goals and following different organizational paths in their ventures, thereby providing a fuller and more meaningful interpretation of the screening process as well as the behavior that results once different types are sorted into different environments.

The stereotype approach falls short of complete realism also, especially if one tries to associate particular characterizations with actual people. People do change motivations over time, and they do adapt to environmental circumstances in a manner that may even fundamentally alter their values. Sociologists argue that people are malleable and have a tendency to fulfill expectations associated with the (work-related) roles they happen to occupy at any given time. Although this observation clearly contains some truth, it does not answer some questions posed here. For example, why do potential entrepreneurs select particular fields and employment opportunities in the first place, and why do they subsequently act to change the parameters and circumstances of their employment over time? The answers to these questions require explanation based on relatively stable personality traits. Ascribing too much adaptive dynamism to the stereotype models would hopelessly complicate them and make them ineffectual for analytical purposes.

The theory that follows begins with a set of entrepreneurial personality types that are defined independently of environment, although particular manifestations of behavior of these personality types may be strongly environment related. Thus a mission-oriented entrepreneurial type may not find his cause until he has gained the benefit of work experience in a particular field, yet he may still be a generic believer, who is drawn to a given industry or sector because of its ability to accommodate zealous personalities and causes. Alternatively, certain potential entrepreneurs may choose fields of employment for reasons other than personality but may subsequently behave according to the motives inherent in their personal makeup. Although this theory leans to the former process, it also explores the implications of such imperfections in

the sorting-by-personality process. I will proceed by postulating stereotype models that seem to capture the alternative driving motivations and styles of entrepreneurs across a wide spectrum of economic activity and that ultimately appear relevant to the association of these entrepreneurs with particular industries, sectors, and venture types. These models derive from observations from the author's field studies and from the literature cited above. Later I will analyze how these entrepreneurial types are screened at the industry and sector levels and derive implications from this process for organization and sector behavior.

It is important to emphasize that the following models are pure types in the sense that each personifies a particular variety of internal motives and drive. Again, actual people are probably more easily thought of in terms of combinations of the postulated models; the models are simply analytical devices to help derive more aggregate behavioral implications for sectors and industries. This approach is possible because the observable aggregate effects of large differentiated populations of pure versus mixed types should be essentially similar, that is, viewed as a whole, it is hard to distinguish populations that contain a wide variety of mixed types from those that contain an equivalent variety of pure types. Thus analysis can proceed as if the world were populated with distributions of pure stereotypical entrepreneurs, although the screening effects considered in chapters 6 and 7 are likely to lead to more homogeneous groupings of entrepreneurial sub-populations for pure types and hence to more exaggerated differences in predicted behavior among sectors and industries. Hence this theory will predict behavior patterns that may actually be harder to detect and isolate empirically than they are to distinguish in the world of conceptual models. The postulated entrepreneurial stereotype models are listed below.

The *artist* is an entrepreneur who derives his satisfaction directly from the creative act and from pride in his own organizational and programmatic constructions. There are basically two types of artists.

The *architect*, a close relation of Maccoby's craftsman, is a builder and tinkerer who likes to play with organizational "blocks." He may view his organization as a workshop for building better structures, both physical and organizational. In one observed case, for example, the entrepreneur took special pride in having reconstructed and nurtured a small, faltering agency into a multi-campus, computerized operation with a unique umbrella-like organizational structure.

The *poet* is a less structured and less meticulous, more cerebral and emotional artistic entrepreneur whose creations consist of implemented ideas. Poets may view their agendas as blank canvases or unwritten books to be filled with paintings or stories of their own philosophic conceptions.

Both types of artist like to create, to nurture, and to see things grow. Some, like Angus Bowmer, who founded the Oregon Shakespeare Festival, apparently

combine the workmanship concerns of the architect with the emotive feelings of the poet, indulging both a love of acting and a dedication to artistic excellence.¹⁸ Both types seek artistic expression and require the freedom to pursue their work in a relatively unharnessed setting, without restrictive monitoring.

The *professional*, a distant cousin of Maccoby's scientist, is formally trained in a discipline, and is highly attuned to the controversies and debates that characterize his professional domain. He is committed to the standards and methodological approaches of his profession, which may vary in style from the highly scientific character of medicine to the more subjective, theory-oriented, and discursive intellectual modes of social work or education. The professional pursues ventures at the leading edge of current professional thinking in his discipline, and looks to his peers in that discipline as the source of reinforcement, recognition, and acclaim. Elements of this kind of motivation are strongly illustrated in the observed cases where, for example, profession-oriented entrepreneurs have experimented in a careful, calculated manner with such leading-edge concepts as outpatient clinical services for autistic children and common-shelter care for unmarried mothers and babies. Nielsen¹⁹ and Vladeck²⁰ both cite hospitals and medical care as a domain in which scientifically-oriented manifestations of professional-type motivations are particularly strong.

The *believer*, a relation of Downs's zealot, is an entrepreneur who is unshakably devoted to a cause and consistently formulates his ventures and focuses his energies in pursuit of that cause over a long period of time. He has what Cornuelle calls the service motive, which "is at least as powerful as the desire for profit or power. We see some people in whom it is paramount and overwhelming."²¹ The believer's cause may be defined as help for a particular (needy) constituency, it may be a civil-libertarian or social-justice concept, or it may be a particular strategy of social reform, or the believer may simply have a deep, general religious resolve to be of service. Examples abound. Thomas Kielty Scherman founded the Little Orchestra Society and subsidized it from his own personal fortune in order to present what he considered to be important revivals, rare works, new music, and unheralded masterpieces.²² Ralph Nader is perhaps the quintessential believer, combining a missionary zeal with an ethic of personal sacrifice in his consumer and public-interest law activities.²³

The *searcher* is restless and frustrated, out to prove himself and to find his niche in the world. He may be a relatively young person, with some job experience, perhaps even moderately successful in what he is doing, but unhappy and critical in his present employment and anxious to resolve the tensions between his aspirations and uncertain self-confidence. Searchers often shun security to find opportunities that will better satisfy their yearnings for career satisfaction. In some cases, however, the searcher may

be trying to resolve a mid-life crisis and attach to an institutional structure that provides a new source of identity or security. (See Shapero, for example.)²⁴ Having found such a solution through some entrepreneurial venture, the searcher may cease to engage in ventures thereafter. A few searchers, however, may be chronic, constantly becoming disillusioned with one venture experience and trying another. In some observed cases, the entrepreneurs left unsatisfying jobs and endured long periods of unemployment, eventually finding opportunities to develop their own agencies.

The *independent* seeks autonomy and wants to avoid shared authority and decision making. His independence may derive from strong-mindedness about how things should be done or frustration from working under the control of others. The independent basically seeks to establish an organizational unit in which he is his own boss, free of direct internal interference or overwhelming external monitoring.

Various observed cases illustrate this orientation. For example, the headmaster of a private school left because of a conflict with his proprietor and established his own school. In another case, entrepreneurs left their posts in a state mental hospital to form their own children's agency. As noted earlier, Shapero also identifies the independent as an important entrepreneurial type.²⁵ Even more than the searchers, the independent is likely to moderate or restrict his entrepreneurial tendencies once he has achieved his goals of autonomy.

The *conservator*, a cousin of Downs's advocate and conservator and Maccoby's company man, is an organizational loyalist who carries out entrepreneurial activity (in the problem-response mode) only under circumstances (a crisis period) in which it is necessary to preserve the character and viability of his agency. The loyalty of the conservator derives from some combination of personal economic interest and cherished ideas, both of which have become embodied in, or associated with, the organization itself, through long-term affiliation and possibly even involvement with the founding of the institution. Like the independent and the searcher, the conservator is an occasional, sporadic entrepreneur when compared with the other, more chronically enterprising types. In one observed case, for example, a long-time employee who rose through the ranks of a large child-care agency helped to initiate a new program late in his career to alleviate public pressures and criticisms of his agency.

Power seekers derive satisfaction from climbing to the top, gaining recognition, and exerting influence over large groups of people and organizations. There are two kinds of power seekers—players and controllers.

Players like the chance their organization gives them to wield power and gain respect and acclaim within their organizations and in the world at large. Similar to Maccoby's gamesmen and jungle fighters and Downs's climbers, players are more willing to delegate authority than are controllers and hence they prefer larger

organizations. In two observed cases, entrepreneurs expanded two of the largest social agencies and used this base to become prominent personalities in New York public affairs. As described by Meyer, Thomas Hoving would appear to be a preeminent player, combining political cunning with the skills and instincts of a showman.²⁶

Controllers receive satisfaction directly from having authority over others and having the security of knowing what is going on under them. Such power seekers like to run tightly centrally controlled organizations and seek to expand those organizations so long as they can maintain the feeling of control. Some of the motivation of controllers may be understood by the observed tendency of many organizations to grow too large. As noted by Mueller:

The case study literature of corporations is replete with situations in which the chief executives of a large diversified firm find themselves one day in a "crisis of control." . . . Frequently, these crises have been brewing for some time, but, owing to the lack of information about the division or individuals involved, the leaders of the firm are not aware that any problem exists until calamity strikes. What is more, these losses of control are not endemic solely to business corporations. The crises that have befallen large universities, branches of the government, the church and other large bureaucratic organizations in recent years are typically attributed to the lack of adequate information by those at the top of the difficulties being encountered by people further down the hierarchy.²⁷

Controllers strongly wish to avoid such circumstances.

Income seekers are those entrepreneurs primarily driven by the motive of material self-aggrandizement in the form of income, future capital gain, and perquisites of office that substitute for personal expenditure. Various examples in the nursing-home industry are provided by Mendelson,²⁸ Vladeck,²⁹ and Grennon and Barsky.³⁰ Vladeck cites instances of wasteful spending, cheating, and corruption associated with Medicare and Medicaid financing, mostly in the proprietary sector. Mendelson also reviews instances in the nonprofit arena. Field studies reveal other cases with important elements of income seeking as an underlying drive. In extreme (maximizing) form, income seekers constitute the basic stereotype model of owners and managers implicit in the conventional theory of the firm in microeconomics.

The list of entrepreneurial characters is somewhat long, and there is some correlation and gradation of objectives from one type to another. The controller, for example, might be thought of as a hybrid of the independent and player types, the latter representing the power-seeking element and the former typifying the desire to retain control. Believers, poets, and professionals are similar to one another in their pursuit of concepts and ideas, albeit for different reasons and through different styles. Despite these similarities, however, the distinctions among the ten types and subtypes are

useful for the development of the theory in the remainder of the book. The various kinds of entrepreneurs are summarized in table 5-1.

Entrepreneur Types and Venture Scenarios

There are certain correlations between the entrepreneurial stereotypes presented here and the venture scenarios described in chapter 4. Conservers, for example, would overwhelmingly associate themselves with the organizational problem-response mode of venture; searchers would tend to be active in the personal problem-response mode. Believers and poets lend themselves most readily to the intellectual or social flux of the initiative mode.

Other types of entrepreneurs are compatible with a wider range of scenarios. Professionals might prosper in the stability of the evolutionary situation or in the intellectual dynamism of the initiative mode. Architects would clearly engage their creative energies in the evolutionary mode, but might begin their venture agendas in the more open environment of the initiative mode or with the opportunities created by an organizational problem-response situation. Independents would also seize opportunities in the initiative or organizational problem-response circumstances.

Power seekers and income seekers are the most adaptable entrepreneurial types, willing to exploit ideas generated in the initiative-mode environment, create organizational environments for nurturing long-term projects in the evolutionary mode, or step into the adversity of a problem-response situation in order to create a turnaround that promises future power or wealth.

Table 5-1
Entrepreneurial Stereotype Models

<i>Type</i>	<i>Principle Source of Satisfaction</i>
Artist	
Architect	Pride in building and workmanship
Poet	Creativity and implementation of ideas
Professional	Acclaim of disciplinary peers
Believer	Pursuit of a cause or mission
Searcher	Self-identity
Independent	Autonomy
Conservor	Preservation of a cherished organization
Power seeker	
Controller	Stimulation and security of feeling in control of people
Player	Acclaim, notoriety, and excitement of having power
Income Seeker	Wealth

Because there is a rough correlation between the incidence of particular venture scenarios and the ambient conditions of an economic sector, the association of the various entrepreneurial types with specific scenarios means that those types will be differentially sensitive to their sectoral environments. Thus these environments will affect the degree to which entrepreneurs screened into a sector at one point in time later become active as agents of venture activity. The theory here will not make much of this point because the association between scenarios and ambient conditions is so rough and because it would unduly complicate matters. Nevertheless, the consideration of ambient conditions should be kept in mind as a qualifying element to the entrepreneur-based explanations of behaviors in specific contexts.

Risk

The entrepreneurial models are designed to capture the underlying drives that motivate the variety of individuals who are likely to become involved in significant entrepreneurial activity in industries that contain nonprofit agencies. The models also imply how much each of these types may be willing to take chances to achieve their basic goals. Therefore, a discussion of risk-taking behavior will help fill out the descriptions of these entrepreneurial characters.

Although financial and other risks of venture may be carried or shared by others, entrepreneurs are action-oriented people, often prone to putting themselves in precarious situations. All entrepreneurial activity, because it involves change, involves some risk, although often the risks associated with forbearing such activity may be just as severe. (In various observed cases ventures were required to avoid organizational collapse.) Risk-taking behavior varies by entrepreneurial type because there are different kinds of risk, each of which may be more or less important to each of the various types of entrepreneurs.

Entrepreneurs may incur risks along several dimensions in choosing to undertake, or not to undertake, ventures. The most common conception of risk is potential financial loss. Although this is a factor in many ventures, Williams and others argue that such risk is usually minimal in nonprofit activities.³¹ As noted in chapter 3, financial risk is not necessarily overwhelming, even in the profit-oriented sector, nor is it necessarily the dominant mode of entrepreneurial risk taking. Vladeck for example argues that proprietary-nursing-home entrepreneurs have faced little financial risk, given a virtually assured flow of Medicaid patients and the failure of regulators to prevent them from diverting revenues from service quality to pay bills as they come due.³²

Although entrepreneurs may not necessarily risk their own capital in ventures,

some may risk job security or future income. Some observed ventures, for instance, were undertaken by newly installed executive directors who viewed the efficacy, if not the tenure, of their positions as dependent on their outcomes. In other cases, entrepreneurs sacrificed substantial levels of secure income in their efforts to establish ventures of highly uncertain prospect. Even a well-entrenched entrepreneuring executive may wonder if his job is at stake if a venture severely upsets the stability of his agency.

Perhaps an equally important personal dimension of risk is the legal jeopardy that entrepreneurs are sometimes willing to incur on behalf of their ventures. Entrepreneurs may take risks, sometimes defiantly, by opening programs before certifications or funds have been officially committed, circumventing regulations, or exposing themselves to other liabilities because of program exigencies.

Damage to professional reputation is another important source of entrepreneurial risk. Innovative ventures that run counter to professional thinking or that stir controversy can hurt the innovators if they fail. A variant of professional risk occurs when an entrepreneur who is a member of a corporate hierarchy (such as the Catholic church in several observed case studies) takes a legal or ideological position that conflicts with that of the establishment. Such a position risks rebuke by superiors and tarnishing of the entrepreneur's reputation. Professional reputation is also jeopardized when ventures threaten to upset the internal stability of an agency and hence bring the competence of the entrepreneur into question. Such risks are inherent, for example, in cases where human-service entrepreneurs bring program units for violent children onto their campuses or where an innovation such as an outpatient program in a residential institution upsets the organization's established structure, routine, or priorities.

Loss of managerial control is in itself a source of risk, making the entrepreneur's job more difficult and consuming. Such loss, in addition to its possible effects on job security and reputation, can lead to an overburden of personal responsibility as the entrepreneur attempts to deal with crises of instability and to reestablish an equilibrium. Perhaps more than economic losses or external judgments of program ineffectiveness, such loss of internal control may lead to a more direct sense of personal failure by the entrepreneur.

Personal overburden can be a serious source of risk to entrepreneurs, especially if ventures are expansive in nature or add significantly to the existing responsibilities of the entrepreneur. The same may be said of the personal sense of failure that some entrepreneurs seem to fear. Entrepreneurs who set high expectations for themselves and tend to feel personally responsible for their ventures find it difficult to live with negative outcomes. The egos of many entrepreneurs are tied up with their ventures.

To discern the risk-related behavior of the various entrepreneurial types,

it is useful to distinguish between two concepts: risk consciousness and risk proneness. An entrepreneur is risk conscious if he seriously weighs particular elements of risk in his decision-making calculus. An entrepreneur is risk prone if he tends to take chances along particular dimensions of risk, consciously or not.

The artist is keenly risk conscious only with respect to the managerial environment of his agency. He is not especially sensitive to personal financial, job-security, legal, or professional risks and may therefore appear to be inadvertently risk prone in these areas. Whereas his ego is tied up with the success of his creations, he is willing to innovate and experiment with new forms without constraining himself to conservative strategies that might enable him to avoid failure. The artist is sensitive to his organizational environment, however, and makes decisions to prevent having that environment restrict his free hand. He will wish to avoid any new venture that threatens to tie him to administrative responsibilities and will seek to incorporate the delegation of responsibility into the design of new ventures. The artist may seize opportunities to increase his flexibility or the creative resources at his command, and this will sometimes involve calculated risk taking, balancing the potential administrative burdens against the potential new opportunities. The latter dilemma is most serious for the poet-type artist. The architectural type may view administrative tinkering as part of his own creative realm, deriving direct satisfaction from toying with and perfecting new (perhaps larger and more complex) administrative mechanisms.

The professional will be most conscious of risks in the legal, managerial, and professional-reputation dimensions. He may also be conscious of risks to job security and of financial (income) loss to the extent that professional standing may be influenced by economic status or rank. In general, the professional tends to be conservative on ventures that involve potential organizational instability, legal jeopardy, or job security, fearing that incidents could hurt his reputation. On the other hand, professionals may be inadvertently risk prone with respect to overburdens of personal responsibility, perhaps taking on more than they can easily handle, because of the potential professional accolades. The most interesting risk-related problem of the professional is to weigh the undertaking of controversial ventures whose success can substantially enhance professional standing but whose failure can seriously damage that standing. In such cases, the professional will take a calculated risk, weighing the potential losses to reputation from managerial and legal problems, loss of job security, or ridicule of an idea turned sour against the potential recognition gained from championing a new concept.

The believer is the most risk prone of all entrepreneurial types, putting the implementation of his cherished ideas, or progress in his cause, above all else.

Minimizing personal ramifications, he tends to be risk prone with respect to financial security, legal jeopardy, professional reputation, and administrative overburden. He may even put a positive value on creating instability (managerial or otherwise) in the belief that this is the most effective road to reform. Such a rationale appears to have characterized James Dixon, former president and innovator of Antioch College: "Dixon clings to a perverse form of courage, believing that only thin ice is worth skating on..."³³ Dixon is quoted as saying that "(Antioch) has no obligation to pursue its own survival as an end," clearly an unusual, risk-oriented stance for an administrator, but one apparently deriving from a strong sense of social mission.

Believers may be forced to take calculated risks if the efficacy of the cause or the potential of the entrepreneur in working toward that cause are uncertain. Thus a venture that might substantially advance the cause if it worked but that might damage the movement or the entrepreneur's role in it if it failed would cause some hesitation. Ralph Nader would have to think carefully about a project designed to expose the hazards of coal power, for example. Such a project might result in a considerable boost for the use of nonpolluting, renewable energy sources, but it might also strengthen the hand of nuclear-power interests, and thus damage the position of clean-power advocates.

The searcher is by definition a potential entrepreneur without a well-established organizational or professional base, although he may have some disciplinary training and a current job that provides income. Risks to managerial stability and personal administrative overburden are thus irrelevant to him. On the other hand, the searcher appears to be risk prone with respect to financial loss, job security, and professional reputation because he is willing to range far and wide for a long period of time and with great sacrifice to find his niche in the professional or business world. He is willing to leave his present employment and pass up substantial income to consider a wide variety of venture (and other employment) opportunities, even those outside his disciplinary training or realm of work experience, before settling on a course of action. The most serious problem for the searcher is to choose a venture that will suit his personal needs—one that will give him a renewed sense of purpose and self-worth but that will not overwhelm his capabilities and bring about further frustration or uneasiness.

The independent is an entrepreneur who knows what he wants to do (managerially and professionally) and wants to be free to do it without the constraints of sharing authority with others. He may or may not have secure employment prior to his venture, but if he does he may risk it to break free. At that stage, therefore, the independent is risk prone with respect to financial loss, job security, personal overburden, legal liability, and even professional reputation, although his personal professional ideas and desire for managerial discretion may be the very source

of his quest for autonomy. Having succeeded in setting up his own organization, however, the independent is likely to become risk averse. His main goal will be to preserve his autonomy and run his business as he likes. He may cease to become an entrepreneur at all, in the sense of sponsoring future ventures. If he does continue, he is most likely to resemble the conserver.

As his name implies, the conserver is a basically risk-averse personality who is seriously concerned with job security and avoiding activities that threaten legal jeopardy, internal instability, or loss of reputation for the organization. The conserver does not become an entrepreneur until the organization, or his position in it, is troubled and a venture promises to rescue it. He will then move into action, taking calculated risks of the legal, professional, and managerial varieties against the potential for successful resurrection.

Power seekers are the most flamboyant risk takers of all entrepreneurs, although their risk taking is usually calculated. They will gamble with their own financial well-being, job security, and professional reputation and will risk legal problems and organizational instabilities, but only if there is reasonable hope for a substantial payoff in terms of increased personal power or if implementation of the venture is in itself an exercise in power playing. Controller-type power seekers will be substantially more conservative than players with respect to potential managerial instability because they derive their satisfaction not only from manipulating but from feeling they are in control. In contrast, players will present a bolder front to the outside world to suit their larger ego needs. However, their risk taking is held in check by those same ego needs, namely the desire to avoid personal failure. Both controller and player varieties of power seekers are prone to personal administrative overburden—the controller because he constantly seeks to increase surveillance of his operation, and the player because he tends to increase his organizational domain over time.

The income seeker is perhaps the most calculating of risk takers, weighing the financial implications (benefits and costs) of each venture decision carefully. He will also be mindful of legal and managerial risks insofar as they might put his organization's economic position in jeopardy. The income seeker may be indifferent to professional reputation and inadvertently risk prone in this area, although regulatory mechanisms may force him to translate professional standards and norms into dollars and cents. As Vladeck observes for nursing homes, even the greediest operator has to show some minimal concern for image, the safety of his investment, and personal legal liability.³⁴ A young income seeker is also prone to a risk of personal overburden, hustling to find financial backers and accumulate working capital or to establish a foothold on the rungs of a corporate ladder. Older income seekers may have accumulated enough capital to live their lives with more moderation.

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