Entrepreneurial leadership vision in nonprofit vs. for-profit organizations

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A B S T R A C T

This paper explores the role that entrepreneurial leadership vision plays in the entrepreneurial process of nonprofit and for-profit ventures. The results indicate significant differences in the meaning of vision articulated for each type of venture. Differences between ventures were also found with regard to the relationship that vision has with the ventures' strategies and performance. In the nonprofit organizations vision was associated with a wide-range strategy as well as the ventures' performance and growth. In addition, wide-range strategy partially mediated the relationship between the ventures' vision and its performance and growth. In business enterprises, vision directly predicted only a differentiation strategy, which also mediated the relationship between vision and the ventures' performance and growth. In contrast, a wide-range strategy in these organizations actually reduced growth. These findings contribute both to the literature on vision as well as to the literature on entrepreneurship.

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Vision guides entrepreneurs' long journeys to establishing new ventures (Baum & Locke, 2004; Dees, 1998; Ensley, Carland, & Carland, 2000; Ensley, Pearson, & Pearce, 2003; Greenberger & Sexton, 1988). At the incubation stage, all the entrepreneur has is a mental image of what the venture should look like, its place in the business world, and a roadmap for reaching the goal. Vision is so central to the entrepreneurial process that Gupta, MacMillan, and Surie (2004) based their entrepreneurial leadership definition around it. For them entrepreneurial leadership is "leadership that creates visionary scenarios that are used to assemble and mobilize a supporting cast of participants who become committed by the vision to the discovery and exploitation of strategic value creation" (p. 242). Similary, Yukl (2006) stressed the multiple roles of the desired vision as "simple and idealistic, a picture of a desirable future" that "should appeal to the values, hopes and ideals for organizational members and other stakeholders whose support is needed. The vision should emphasize distant ideological objectives rather than immediate tangible benefits" (p. 295).

The histories of many well-known organizations reveal a variety of visions. UNICEF's vision is, "For every child health, education, equality, protection. ADVANCE HUMANITY." This definition expresses a broad vision coupled with an ideological objective (helping all children). Microsoft's vision, "to enable people and businesses throughout the world to realize their full potential," also expresses a wide-ranging ideal with future-oriented characteristics. The USDA Forest Service's vision is one of "caring for land and serving people," and Ashoka's vision is to "develop the profession of social entrepreneurship around the world." Both of these visions express the values, hopes and ideals of the organization with no immediate tangible benefits. These examples illustrate the scope and depth of vision and the important role it plays in the organization's activities.

The literature on entrepreneurial vision (EV) generally focuses on its importance for the venture's creation and growth (Baum & Locke, 2004; Dees, 1998; Baum, Locke, & Kirkpatrick, 1998; Ensley et al., 2000, 2003; Greenberger & Sexton, 1988; Moore, 1986; Naffziger, Hornsby, & Kuratko, 1994) and the ways in which EVs differ from those of executives (Kirkpatrick & Locke, 1996; Kirkpatrick, Wofford, & Baum, 2002; Fable & Larwood, 1995). These studies assume (explicitly or implicitly) the existence of a coherent construct of EV, with consistent characteristics across types of ventures that distinguish it from other types of vision (e.g., managerial vision). Fable and Larwood (1995) provided empirical evidence for the difference between the vision of entrepreneurs

and non-entrepreneurs (entrepreneurs scored higher on risk taking and proactive adoption and lower on vision formulation). They attributed these differences to the way entrepreneurs envision their venture strategically as an extension of themselves and their needs (Bird & Jelinek, 1988; Fable & Larwood, 1995; Hornaday, 1992; Timmons, 1994).

However, although the difference between entrepreneurs and non-entrepreneurs' vision has been established, to the best of our knowledge, the differences between the EV of different types of entrepreneurs has not yet been tested. Thus, the main focus of this study is on the organizational context of EV. In their model of venture initiation, Greenberger and Sexton (1988) regarded vision as related to the underlying cause of the venture and/or the type of venture imitated. Fable and Larwood (1995) suggested that since vision reflects the uniqueness of the organization, it may be developed and utilized in different ways in different types of organizations (see also Cossette & Audet, 1992; Naffziger et al., 1994; Nanus, 1992). Based on these theoretical arguments, this study will examine the differences in EV between nonprofit entrepreneurs in the educational sector and for-profit, service oriented business entrepreneurs. The study will also test the differences in the effect of EV on the new venture's strategy and performance. Consequently, the study will consider several questions. Are differences between EVs systematic? Do they reflect differences in the nature of their corresponding entrepreneurial organizations? Does EV have a different effect on the new venture's strategy and performance in different types of ventures?

In sum, the main purpose of this research is to advance the knowledge regarding cross-sector differences in EV and its role in the process of establishing new ventures. The paper begins with a review of the extant literature, posits a series of research hypotheses, moves to a discussion of the methodology, and concludes with an analysis of the findings and their implications for research and management.

1. What is entrepreneurial vision?

Vision is a seminal concept in leadership literature (e.g., Avolio, Zhu, Koh, & Bhatia, 2004; Awamleh & Gardner, 1999; Baum et al., 1998; Bennis & Nanus, 1985; Conger, 1989; Elenkov, Judge, & Wright, 2005; Groves, 2006; Strange & Mumford, 2002) and a key component in the leadership style of all leaders — social, political or organizational. While the definition of vision varies, it is generally an idealized goal to be achieved in the future (Conger, 1999; Conger & Kanungo, 1987; Elenkov et al., 2005; Kirkpatrick et al., 2002) or an ideal and unique image of the future that articulates the values, purposes, and identity of its followers (Boal & Bryson, 1988). In the organizational arena, Shamir and colleagues (1993) define vision as an ideal statement that reflects the shared values to which the organization should aspire. Bennis and Nanus (1985) offer a more practical definition, regarding vision as the projected mental image of the product, services, and organization that a business leader wants to achieve. These definitions highlight the future-oriented nature of vision and its role in motivating followers toward that future.

The definitions in the entrepreneurial literature reflect the general nature of the role of vision in *entrepreneurial contexts*, as well as its unique characteristics. Greenberger and Sexton (1988), for example, argue that "entrepreneurs are likely to have some abstract image in mind about what they intend to accomplish," and entrepreneurs "must be able to create a similar image in the minds of others." (p.5). Here again, these definitions of vision are future-oriented and describe the role of vision in motivating followers toward this future. According to Ensley et al. (2000), EV is a result of the entrepreneur's intuitive and holistic thinking and bridges the current situation and the future state. They focus on entrepreneurs' exceptional ability to formulate a suitable EV for their ventures. Fable and Larwood (1995) address the differences between managerial and entrepreneurial vision. Given that at the beginning of the entrepreneurial process the entrepreneur is actually the venture itself, he or she "may be more likely to envision the organization strategically as an extension of his/her needs" (Fable & Larwood, 1995; no page numbers available). Some researchers argue that entrepreneurs do not have a vision or that if they do, it is not formal or stated explicitly (Baum et al., 1998). We follow the majority of the leadership and entrepreneurial literature, which emphasizes the existence and importance of vision in the entrepreneurial context (e.g., Cogliser & Brigham, 2004; Gupta et al., 2004; Larwood, Falbe, Kriger, & Miesing, 1995).

This study defines EV as a future-oriented image of the new venture, intended to motivate both the entrepreneurs and their followers (investors, future employees) toward this desirable future.

2. The content of entrepreneurial vision

The theoretical and empirical literature characterizes vision as optimistic (Berson, Shamir, Avolio, & Popper, 2001; Devanna & Tichy, 1990), desirable (Baum et al., 1998; Conger, 1989), challenging (Baum et al., 1998; Nanus, 1992; Sashkin, 1988), clear (Baum et al., 1998; Nanus, 1992), brief (Baum et al., 1998), and achievable (Conger, 1989; Levin, 2000).

Larwood and colleagues conducted the first large-scale sample empirical study of vision content and attributes among entrepreneurs in 1995. They asked corporate executives to describe their vision for their respective organizations in a single sentence. Respondents then evaluated their own visionary statements using a 26-item list. These items reflect a positive characterization of vision in theoretical and applied discussions, using terms such as risky, action-oriented, inspirational, focused, and purposeful. The authors assert that "the items on the self-evaluation list were representative of many definitions and descriptions of vision available in the literature; the study intentionally avoided focusing on or selecting any one theoretical perspective" (Larwood et al., 1995).

Next, the authors subjected the 26-item list to an exploratory factor analysis. The respondents' ratings form seven independent factors. The main ones are vision *formulation*, indicating a strategic emphasis; *implementation*, stressing successful communication of the vision; and *innovative realism*, focusing on tactical responsiveness to both internal and external events. The four minor