ACCOUNTABILITY TO STAKEHOLDERS IN A STUDENT-MANAGED ORGANISATION

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ABSTRACT

Purpose: Management is normally held accountable to stakeholders because it enters into long-term relationships with them. However, managers which are planning on departing the organisation can take advantage of stakeholders' trust for their own personal benefit. This paper examines how accountability mechanisms can preserve organisation-stakeholder relationships in the face of high management turnover.

Design/methodology/approach: A case study of student-managed non-profit organisation in which the management team is replaced annually. Representatives of all (internal and external) stakeholders are interviewed.

Findings: While stakeholders and management work towards mutually agreed upon objectives, at times they also work against each other and pursue their own self-interests. The organisation has, however, been able to survive due to the introduction of accountability mechanisms.

Originality/value: Drawing on stakeholder-agency theory, this paper shows how accountability mechanisms can preserve organisational memory and organisation-stakeholder relationships.

Keywords: Corporate governance; Accountability; Stakeholders; Not-for-Profit; Management Turnover

Paper type: Research paper

1. INTRODUCTION

Entré is a student-managed non-profit organisation, which promotes entrepreneurship through seminars and competitions at the University of Canterbury. Entré also provides management experience to students, which is why its management team changes every year. This presents a unique opportunity to study how an organisation survives and retains organisational knowledge from year to year. Drawing on stakeholder-agency theory (Hill and Jones, 1992), this paper investigates how the annual turnover of management impacts organisation-stakeholder relationships and the role of accountability mechanisms in managing these relationships.

Accountability is concerned with how agents account for their actions to stakeholders. Rooted in accounting, ethics and governance, accountability encompasses corporate governance, management and internal control, and external auditing and reporting (Rasche and Esser, 2006; Solomon, 2007). There are different types of accountabilities at the different levels of an organisation and, consequently, different mechanisms for ensuring that agents appropriately fulfil their responsibilities. At the management-level, managers need to comply with laws and societal norms, keep their promises to customers, suppliers, etc and implement the organisation's strategy. At the governance-level, directors need to monitor and collaborate with management to ensure that management's duties are carried out. Accountability mechanisms can be used to assist managers and directors discharge their duties.

The governance, management and accounting literatures are awash with theories that explain how accountability mechanisms influence managerial behaviour. Agency and stakeholder theories are the most prevalence (Sundaram and Inkpen, 2004; Solomon, 2007). Agency theory privileges shareholders' interests over those of other stakeholders, and characterises management as self-interested. To maximise shareholder value, monitoring and incentive schemes are required to direct the behaviour of management (Jensen and Meckling, 1976). Stakeholder theory is not one theory, but a set of theories that recognise the interests of all stakeholders (e.g. customers, suppliers, employees, shareholders, etc) and explain how management can satisfy the competing interests of stakeholders. Stakeholder-agency theory combines these two theories in order to explain the dynamic relationship between stakeholders and management.

In the non-profit sector, organisations do not have shareholders, but they do have multiple stakeholders such as government, donors, beneficiaries, and voluntary and paid employees. The behaviour of stakeholders and managers may be characterised by self-interest, sentiment, duty, or excellence (Rocha and Ghoshal, 2004). It would be naïve to assume that managers in non-profit organisations are purely self-interested or other-interested (e.g. sentiment for beneficiaries or a duty to donors). The role of the board of directors is to ensure that the mission of the non-profit organisation is fulfilled. They may use accountability mechanisms (e.g. incentives and controls) to direct management's attention and constrain self-interested behaviour. Also, they may have to prioritise the competing interests of stakeholders.

Self-interested and other-interested behaviour are opposing positions. Human behaviour is likely to vary between these opposing positions. In which case, accountability mechanisms serve multiple purposes. Accountability mechanisms can provide information to stakeholders and managements, which these parties can use to facilitate cooperation and make mutually beneficial decisions (Freeman, 1984). Accountability mechanisms can also be a means of control that stakeholders use to direct the actions of management (Hill and Jones, 1992). Conceivably, management could use accountability mechanisms to manipulate stakeholders and serve their own interests. Although stakeholder-agency theory has received much attention in the literature, researchers have rarely used to frame their studies of non-profit organisations.

Entré is a small non-profit organisation. The main stakeholders include sponsors, the University of Canterbury, participants, a board of directors, an administrator and a management team. Entré has a annual budget of approximately $110,000. In financial terms, the sponsors and the University of Canterbury do not have much at stake. This make Entré an ideal site to study people's propensity to be self-interested or other-interested, and the role of accountability mechanisms in facilitating cooperation or controlling myopic behaviour. The potential for myopic behaviour is compounded by the fact that Entré's management, who are student-volunteers, are replaced every year. Therefore, a case study of Entré is undertaken to gain insight into how accountability mechanism influence organisation-stakeholder relationships. This research fills a gap in knowledge identified by Miller (2002), Alam (2006) and Shankman (1999).

This research project contributes to the area of stakeholder-agency theory both practically and theoretically. It shows that the annual changeover of the executive has impacted the relationships with stakeholders over the years, with poor systems exacerbating the handover process. The stakeholders of the organisation have been identified, with a narrow view being taken by the management team and the Board. It has been shown that when stakeholders are included in the decision-making process their interests are able to be met. However, there is a conflict between the short-term goals of the stakeholders compared to the long-term goals of Entré. Some stakeholders commented that it is only be a matter of time before the lack of a success story coming from the competitions becomes a dividing issue and stakeholders discontinue support.

The remainder of the paper is organised as follows: First, the literature review discusses agency and stakeholder theories as well as research in non-profit organisations; Second, the research method is described; Third, the findings are presented; Fourth, the practical and theoretical implications of the findings are discussed; Finally, conclusions and future research opportunities are considered.

2. LITERATURE REVIEW
2.1. Stakeholder-Agency Theory
Agency theory has been widely applied over the decades to explain governance and management practices and actions. It describes the relationship between the principal and agent, predicts that incentives and controls are needed to curb the agent's opportunistic behaviour and align the interests of the agent with those of the principal. While not as popular as agency theory in organisation studies, stakeholder theory has been given much attention over the last two decades, owing its intellectual development to Freeman's (1984) seminal work *Strategic Management: A Stakeholder Approach*. It describes that the manager is the centre of the contractual relationship between the organisation and its stakeholders (Hill and Jones, 1992). Miller-Millesen (2003) argues that agency theory is applicable to non-profit organisations, and Freeman et al. (2004) argues that stakeholder theory is applicable to for-profit organisations.

While agency theory assumes a single fiduciary role to the organisation's shareholders, stakeholder theory proposes managers should promote multi-fiduciary roles to protect the interest of all stakeholders at large. Alam (2006) suggests this can be achieved through creating accountability mechanisms which encourage stakeholder commitment and reconcile the differences between these competing stakeholders. Furthermore, he believes that improving managers' accountability to all stakeholders will assist in preventing myopic and fraudulent behaviour. For example, managers at Enron and WorldCom were not adequately accountable to their stakeholders; they focused too heavily on improving short-term earnings, rather than long-term stakeholder value. The differences between agency and stakeholder theory are presented below (see table 1).

Dimension	Agency Theory	Stakeholder Theory
Unit of analysis	Contract	Interests/relationships

Direction of relationship	One-way	Two-way
Normative basis of relationship	Economic	Principled moral reasoning
Criteria for organisational effectiveness	Efficiency	Fairness
Role of resources	Information only	Important for survival
Relationships of individuals	Goal conflict/divergent	Contingent
Primary relationship	Owner-manager	All stakeholders (ranked)
Assumption of human behaviour	Bounded rationality Rise aversion Opportunistic Adverse selection	Bounded rationality Risk aversion Contingent
Scope of responsibilities	Economic	Economic and social
Overriding principle	Maximise firm NPV Minimise agency costs	Equilibrium of interests
Implication for practise	Align interests of employees and owners; take actions insofar as they maximise firm NPV; use efficient contracting mechanisms to minimise agency costs.	Balance in equilibrium the interests or claims of all relevant stakeholders.

Table 1: Comparative Analysis of Agency and Stakeholder Theory

There have been many debates on the theoretical and empirical validity of agency and stakeholder theory (e.g. Sundaram and Inkpen, 2004; Freeman et al., 2004). It is not clear if either side can win the debate. Drawing on Hill and Jones' (1992) stakeholder-agency theory, this research takes the position that the most insight into organisational phenomena can be gained by combining both theories. Instead of testing opposing hypotheses generated from agency and stakeholder theory, this research uses stakeholder-agency theory as a lens to understand and explain how accountability mechanisms influence organisation-stakeholder relationships. While the objective of non-profit organisations is to fairly balance all stakeholders' interests, and this intuitively fits with stakeholder theory, self-interested behaviour is still possible.

For example, Miller (2002) observes board members in a naturalistic setting and examines how a number of boards monitor their respective non-profit organisation. She finds that boards expect goal alignment between the executives and the organisation at large, and opportunistic behaviour to be non-existent. She suggests future research may seek to find why boards neglect their monitoring role, even after scandals, and defer to the chief executive for important decision making.

While this research draws on stakeholder-agency theory, it is relatively under-theorised in terms of non-profit organisations. The following section reviews the different branches of stakeholder theory to gain additional insight into how the board and management of non-profit organisation manage stakeholder relationships.

2.1.1. Models of Stakeholder Theory

Stakeholder theory is timely yet adolescent, controversial yet important, with five major themes developed in the field (Laplume et al., 2008). These are the definition and salience of stakeholders, stakeholder actions and responses, firm actions and responses, firm performance, and theory debates. Several different versions of stakeholder theory exist (Alam, 2006), including the Stakeholder Strategic Management Matrix Model (Freeman, 1984), the Stakeholder-Agency Theory (Hill and Jones, 1992), the Feminist Stakeholder Theory (Burton and Dunn, 1996) and the Stakeholder Salience Model (Mitchell et al., 1997). These models explain different aspects of organisation-stakeholder relationships (see table 2).

Stakeholder Models	Promoters	Features
Stakeholder Strategic Management Matrix Model	Freeman (1984)	Stakeholder management on the basis of a four cell Matrix. Stakeholders are prioritised on the basis of co-operation and their relative competitive threats.
Stakeholder-Agency Theory	Hill and Jones (1992)	Managers have agency responsibility to all major stakeholders, not just shareholders. Acknowledges power differences between different stakeholders.
Feminist Stakeholder Theory	Burton and Dunn (1996)	Stakeholder management on the basis of relationship, quality, care, and need.
Stakeholder Salience Model	Mitchell *et al.* (1997)	Stakeholder prioritisation on the basis of legitimacy, power and urgency.

Table 2: Models of Stakeholder Theory (Alam, 2006, p.211)

Aside from feminist stakeholder theory, all of these can be categorised within the instrumental branch of stakeholder theory. These theories focus on strategies to manage stakeholders for attaining organisational objectives (Alam, 2006). The instrumental branch of stakeholder theory assumes that the role of management is to achieve a balance between the interests of all stakeholders (Shankman, 1999). Maintaining an appropriate balance between the interests of all stakeholder groups is the only way to ensure survival of the firm and to attain organisational goals. Stakeholder-agency theory suggests that in satisfying claims made by stakeholders, the amount of resources available to managers to increase growth through diversification is diminished. Thus, stakeholders must gather more information about management activities, but this can be costly (Hill and Jones, 1992). Stakeholder-agency theory takes into account the general aspects of the other stakeholder theories, and is discussed in greater detail below.

2.1.2. Stakeholder Identity
Stakeholders are parties who have a legitimate claim on the organisation, established through the existence of an exchange relationship. Freeman (1984, p.46) defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organisation's objectives", but this definition has been met with mixed reviews. Goodpaster (1991) argued that this set of criteria implies two types of stakeholders: strategic and moral. These relate to those stakeholders that can affect the firm, and those stakeholders that are affected by the firm, respectively. Freeman's definition has been criticized on the basis that the "can affect" umbrella encompasses too many possibilities causing the term stakeholder to lose much practical significance (Laplume, *et al.* 2008). All-inclusive definitions include any entity maintaining an interest or even remotely being affected by the firm (Freeman, 1984; Phillips *et al.*, 2003); whereas narrow views only recognise stakeholders whose relationship with the firm is primarily economic (Friedman, 1970) or those that are able to yield power over firms (Frooman, 1999). In between these extremes, others define stakeholders as those groups or individuals who assume some degree of risk bearing activity with the firm, something to gain or to lose from the turn of events (Clarkson, 1995; Cragg and Greenbaum, 2002). This establishes a group of stakeholders as those whose relationship to the firm is non-economic, but does not go as far as to include all members of society (Clarkson, 1995).

2.1.3. Prioritising
Once an organisation's stakeholders have been identified, their expectations are prioritised. Although many may agree that satisfying the demands of stakeholders is beneficial, it is unrealistic to assume total stakeholder satisfaction. Distinctions between stakeholders have been identified by virtue of their importance to the survival of the firm (Shankman, 1999). Post *et al.* (2002) propose a typology to address resource-based, industry structure-based, and socio-political-based stakeholders

separately. Freeman (1984) prioritises stakeholder on the basis of co-operation and their relative competitive threats. As managers have agency responsibility to all major stakeholders, ranking stakeholders appears a logical method, identifying priorities with key dimensions such as power, legitimacy and urgency (Mitchell *et al.*, 1997). From these suggested dimensions, Parent and Deephouse (2007) found that power has the most effect on salience, followed by urgency and then finally legitimacy in their case study of two large scale sporting event organising committees. However, Driscoll and Starik (2004) challenged the comprehensiveness of Mitchell *et al.*'s dimensions and argued that the natural environment should be seen as the primordial and primary stakeholder of all firms.

2.1.4. Stakeholder actions and responses

How these stakeholders actually monitor and influence the organisation is an area still debated. Frooman (1999) develops a classification of stakeholder influence strategies. He argues that stakeholders use direct strategies when the organisation depends on them for resources, and indirect strategies, for example vicariously influencing actions, when it does not. As mentioned above, a popular theory is that stakeholder influence is determined by the power and legitimacy of the stakeholder. Therefore, stakeholder groups may use indirect strategies, such as coalitions (Neville and Menguc, 2006) to combine their power and legitimacy in a way that enhances their bargaining position. Friedman and Miles (2002) argue that influence depends on relational structures, contractual forms, and institutional support.

2.1.5. Firm actions and responses

How firms balance the various interests of stakeholders also needs to be addressed. Freeman (1984) suggests that the role of management is to balance the interests of stakeholders over time, but critics argue that the theory provides no basis for deciding between competing stakeholder interests (Kaler, 2006). Hosseini and Brenner (1992) proposed using sophisticated analytical techniques to calculate a consistent weighting scheme to balance these decisions, but accomplishing such a feat in the fluctuating business world with ever changing variables and non-rational stakeholders seems questionable. Stakeholder representatives' involvement in the managerial decision process has been argued to balance the competing interests (Burton and Dunn, 1996), as well as being directly included in mediation to more effectively resolve disputes (Lampe, 2001). Furthermore, Reynolds *et al.* (2006) conclude from their study that balancing interests across decisions (instead of within decisions) tends to generate more instrumental value and is also seen as more ethical.

2.2. Non-profit research

2.2.1. Management turnover

Researching the problems faced by a UK children's centre, Mordaunt and Dixon (2005) observe and interview the members of a non-profit board and the key members of staff about their views and reactions as their organisation dealt with a crisis that threatened its continued existence. Facing problems with high-turnover, it was found that board members often spent the first year coming to terms with working and coping with a small child, on top of the membership of the board. A board member in their study commented, 'It takes a year to understand your role so, by the time you do - it's nearly time to move on' (p.6). Problems included ignorance, issues about continuity, formulaic conformance to previous years' work, accountability and reporting lines, poor communication, the intermingling of board and consumer roles, adhocracy and neglecting the entity as an organisation. The ever changing business environment creates a situation of permanent disequilibrium and persistent power differentials between stakeholders and managers (Hill and Jones, 1992). While change at one point in time may favour managers, change in a subsequent period may shift the balance of power towards other stakeholder groups.

2.2.2. Governance and accountability

The question remains, however, as to how stakeholders hold their respective organisation responsible for their actions and use of resources. Accountability implies a liability to explain to someone else, who has authority to assess the account, and allocate praise or censure (Jones, 1977). Katz (2008) argues that the board's commitment is crucial in moving forward in non-profit organisations. McClusky (2002) proposes a conceptual framework for re-examining any non-profit organisation's governance, particularly focussing upon the roles and responsibilities of boards, executives, and other staff and volunteers. It is suggested that several factors are important, including the number of active volunteers and the breadth of roles they perform and the level of trust and confidence between the chief executive and the board. Furthermore, executive transition and environmental factors, such as a fundamental change in funding sources, are incorporated.

Werhane and Freeman (1997) identified interest-based, right-based and duty-based reasons for stakeholder accountability. The interest-based approach looks at consequences of organisational dealings to the stakeholders, the right-based viewpoint concentrates upon the equal distribution of resources and opportunities, and the duty-based analysis encompasses organisational responsibilities to stakeholders. One key aspect raised by Alam (2006) is that as the nature of the stakeholder relationships alter as time passes, the management of the organisation must reassess stakeholder needs and conform to these changes.

3. RESEARCH METHOD

This research uses the case study method. The qualitative methods often associated with case studies lend themselves to this research with unstructured interviews and an active-participant observation generating detailed information about the organisation. One organisation, Entré, is studied in its own right using an idiographic approach. The researchers have taken a positivist perspective. The stakeholder relationships and the impact on these by the changeover in management exist independently (Bryman and Bell, 2007), and the data below truly measures and depicts the reality of the situation (Weber, 2004). The research results will be able to be reproduced with the caveat that due to Entré's unique circumstances this will be difficult. Stakeholder-agency theory provides the theoretical framework for this research.

3.1. The Research Site

Entré was chosen as the research site for the following reasons. First, researchers have called for further research into non-profit boards from a stakeholder perspective (Miller, 2002; Alam, 2006; Shankman, 1999). Second, as Entré's management are student-volunteers and they are replaced every year, this presents a unique opportunity to contribute to the literature. Third, one of the researchers had experienced the difficulties first hand related to the operations of the organisation and its relationships with stakeholders, as CFO of Entré in 2009.

3.2. Research Questions

This research project will fulfil many calls in the literature for future research in the area of stakeholder theory. Alam (2006) asserts that accounting research from stakeholder perspectives is still at an early stage and more work needs to be done before a well balanced reporting and accountability structure can be introduced. Among his seven areas for further research, two are most related to this research project: First, research on how organisations identify their stakeholders; and second, research on how an organisation designs their organisational processes of measurement and reporting in relation to stakeholder management and concerns. Further, Miller (2002) suggests future research may seek to find why boards neglect their monitoring role, even after scandals, and defer to the chief executive for important decision making.

This research investigates whether stakeholders with large financial interests in Entré use accountability mechanisms to monitor management. Also, this research examines how the

organisation retains knowledge, particularly of stakeholders' expectations, as the entire management team is changed every year. This relates to the problems faced by Entré as the management team spend under one year at their post, and then often leave the city creating a knowledge vacuum. The effects that this has on the organisation at large and its relationships with stakeholders, particularly sponsors and the University of Canterbury are areas that this research studies. Notably, global recession has lead to decreasing charitable contributions to non-profits (Katz, 2008). Entré faces these concerns as several of their major sponsors withdrew their support at the beginning of the year and some of the remaining sponsors reduced their contributions. Therefore, the research questions are as follows:

1. Who are Entré's stakeholders and what are their expectations?
2. What accountability mechanisms have stakeholders and the board of directors used to monitor management?
3. How does the annual change in management influence organisation-stakeholder relationships?
4. What are the management team's expectations?
5. How does the management team manage stakeholder expectations and the annual change process?

3.3. Data Collection

Three sources are used to collect the research data, similar to the approach undertaken by Scalzo (2006). Individual interviews with key stakeholders of the organisation, an active-participant observation, and a review of archival documentation related to assisting the new team transitioning into power and specific accounting information utilised, enables triangulation and contributes to the trustworthiness of the research. Semi-structured interviews were undertaken with members of each group of identifiable stakeholders as set out in the table below. The selection of which stakeholders in each group to interview was made by a combination of their importance to the firm and the ability to gain access to them within the research time-frame (see table 3).

Participants	4
Team members	4
Future Team members	2
Former Team members	2
Administrator	1
Sponsors	3
Board member	1
Former Board member	1
Total	*18*

Table 3: Interviewees

An analysis of archival documents was undertaken, with both hard-copy and soft-copy documents examined. The lack of archival documentation will be discussed in the findings. Finally, the researcher's own interactions and dealings with the organisation were taken into account where pertinent to the research.

4. FINDINGS
4.1. Background

Entré was officially incorporated on 18 April, 2005. Still considered in its infancy, the organisation is loosely based upon a similar entity operating out of another university in New Zealand. Entré is a non-profit company run by students at the University of Canterbury. The goal of Entré to foster the entrepreneurial spirit on campus, to encourage innovation and educate students on the basic elements of business development. Entré runs free competitions and events for students throughout the year to realise this goal, culminating in over $85,000 worth of prizes in goods and

services. Entré also hosts FastTrack, a series of business seminars designed to cover the basic knowledge essential to an entrepreneur. These are presented by industry experts, and each seminar provides relevant and practical knowledge for students endeavouring to enter the business world.

Entré has an annual turnover of around $110,000, with a detail of its typical yearly events outlined at the end of this section. Each year Entré welcomes a new group of students in to run the operations of the business. Whilst bringing in fresh ideas and an enthusiastic attitude, similar mistakes have been made year-on-year, which has prompted the organisation to seek continuity by recruiting an ongoing administrator at the end of 2008.

Apart from those present at sponsorship negotiations – who have first-hand knowledge of what was promised and agreed – there is little understanding on the subject. This is exacerbated by the fact that the contracts are compiled by a further external party, often containing factual mistakes of the parties' agreements. Sponsors give monetary donations within three categories; Platinum ($20,000), Gold ($7,500) and Silver ($3,500). Other than that, there are gifts, subsidised prices and in-kind benefits such as judging and mentoring which sponsors donate. In return, other than recognition, Sponsors Breakfasts, access to the Advisory Committee (for certain levels) and invitations to events, what the sponsors actually wish to receive and what they accomplish in reality will be discussed in later sections. Entré's reporting structure (see figure 1) is shown below.
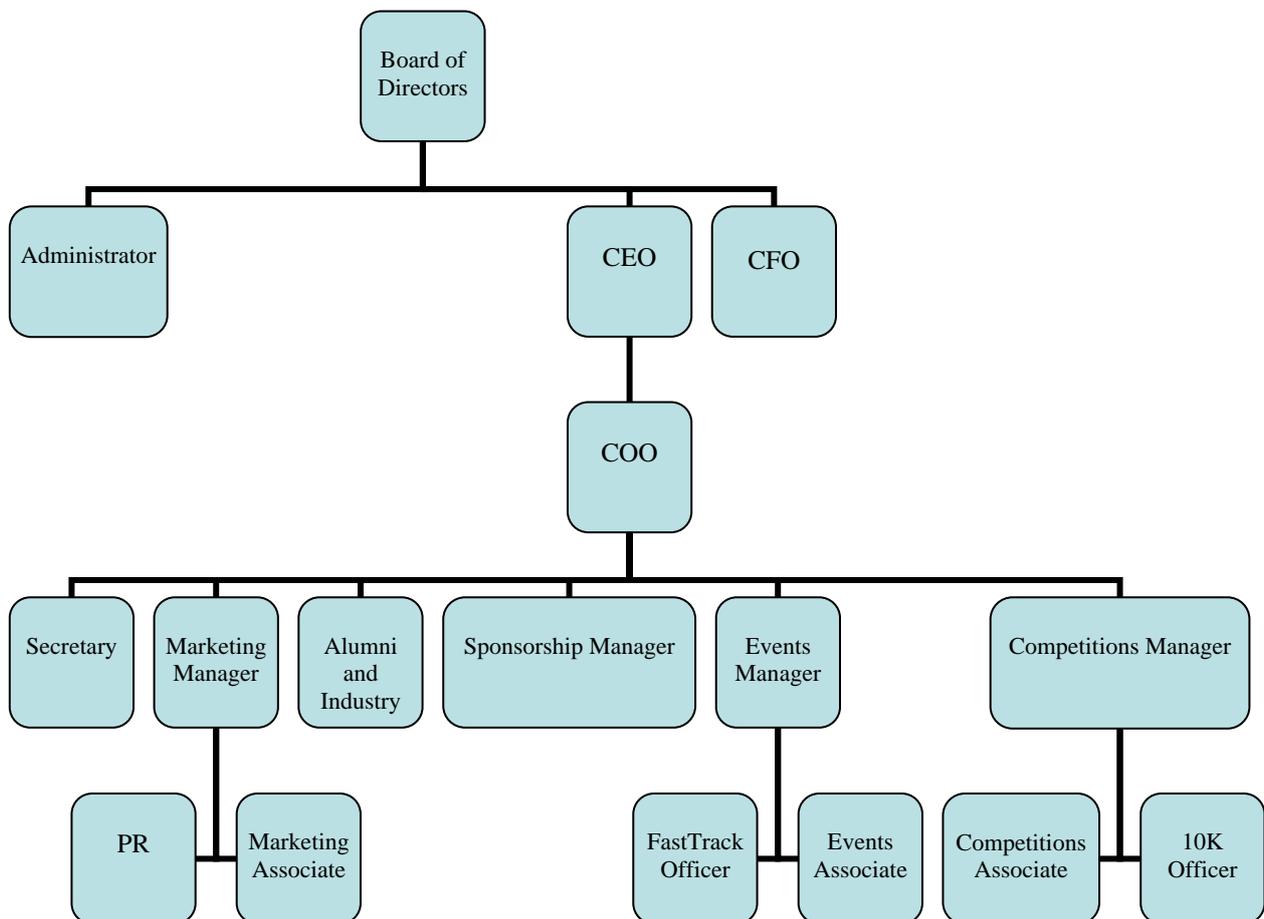
Figure 1: Reporting Structure

4.2. Management Training and Changeover Procedures

One repeated theme emerging from the interviews relates to the difficulties faced by the team in regards to having poor handover procedures. With similar mistakes being made year-on-year, the

lack of systems in place has been a real hindrance. This is highlighted by the new administrator's comments on handover procedures:

> *"I think the problem has been that each year the teams try to reinvent the wheel... And so they end up making the same mistakes again." (Administrator)*

The Entré management team utilises a 'shared-drive', an electronic source of information supposedly updated each year by successive teams. It is envisaged to contain a wealth of information such as invite lists, reports, budgets, and minutes. However, the documentation is sparse and incomplete, as shown by various team members' experiences retrieving information:

> *"One of my personal favourites was opening a report from a past CEO... ...on the next page it had 'to be completed'. So there wasn't really information." (Team member 1)*

To combat this, new systems were put in place this year. The most significant change was employing an administrator. Each team member was given a USB memory device to store their own personal information, which were then routinely recollected by the administrator and used to update the main shared-drive, making it possible for every team member to see what the others were doing. A few hard copy documents were available were compiled, as well as background discussions with those who had had experience with Entré, but may have only personally retained their experiences involved thereto.

Next year's management team believes that they will be better placed in terms of retaining organisational knowledge, as Future team member 2 stated, *"Yeah, I've been given a flash drive with everything from this year, so I'll be looking through that and handing it out to each person in the team."* Although time, effort and importance have been placed upon ensuring adequate handover systems, there is a belief that next year will probably not use or need the information.

4.3. Impact of Management Turnover on Organisation-Stakeholder Relationships

The lack of systems and annual team changeover impacts the relationships that Entré has with its stakeholders significantly. As the administrator stated, *"Each year the CEO will say to [the sponsors that] they have problems X, Y and Z and they said that they hear it... every year."* The sponsors that have had longer relationships find it a difficult aspect to be dealing with an effectively new entity each year, as Sponsor 1 argued, *"Well effectively it's a new business every year... and I suppose that is one of the challenges... In a normal business you don't get a new CEO every year, you write a strategy and it would be three or four years before you need to revise it."* This results in each new team having to convince sponsors that have been there from the beginning that it is still worthwhile dealing with Entré, and that the new team will not change what was their original interest in the firm. Sponsors have to decide each year whether the goals and mission of the entity are aligned with their own, as this is not passed from year to year.

As Entré is still early in its development, some stakeholders feel that it is simply too early to determine if Entré will generate any longer-term benefits. This trade off between long-term versus short-term is repeated throughout the interview process, as Sponsor 2 commented, *"So for us it's almost too early to tell, the result of last year's one... it might go forward, so that could be a future success story, but for us it's too early to take a stock take on expectations."*

4.4. The Role of the Board of Directors

Entré's board of directors has not shown complete interest in being involved in the organisation, as the administrator commented, *"they have had to overcome a very dysfunctional board at the start of the year, a board that wasn't very involved and provided no governance and no guidance for the senior management of the team."* The fact that the Board may not be involved with Entré for personally motivating reasons, there are not any directors' fees paid and it is not overly career enhancing is significant, as highlighted by one board member's reasons for getting involved: *"I was*

a director of Canterprise, and as you know Entré is a wholly owned subsidiary of Canterprise,…so I drew the short straw basically." This issue appears to have been kept under wraps for some time, with possibly no one wanting to admit, nor to address the problem. By the time this research project was carried out, there were three Board members of Entré, two of which have been appointed this year. As Team member 1 said, *"When I told [the Deputy Vice Chancellor] that we had no Board and we were liable for the budget as it wasn't getting signed off, he was titchy. But once the truth was out, I was able to get help."*

4.5. Stakeholders: Definition and Salience

Entré appears to have an easily identifiable group of stakeholders. As a small entity, the number of other firms and individuals it affects is limited. As mentioned earlier, apart from the University students involved, the management team, the Board, sponsors and the University at large, there are minimal other groups with anything at risk, a suggested criteria by Clarkson (1995) and Cragg and Greenbaum (2002). Entré's Board acknowledges these stakeholders and their accountability to them, *"Well you've heard the cliché stakeholders, it has several stakeholders. So it is accountable to them all really, in different ways and to different degrees."*

Entré has a scale for ranking the salience of its sponsors with Platinum Sponsors donating the most money and thus are given the most attention. However this is not always the case, as reflected in the CEO's comments on the involvement of the sponsors:

> *"[One smaller sponsor is] new this year and they are massively involve… Whereas [other, larger ones] never return emails and don't turn up to meetings." (Team member 1)*

Overall the stakeholder group of sponsors does not seem to be too demanding, as one team member reflected, *"Not many of them are hugely concerned with operations, most of them are only concerned with what they get out of it."* There is also no apparent accountability for their actions towards Entré, with one team member admitting *"I certainly wouldn't report back to their bosses that they aren't involved"*, though this is an aspect for their own stakeholder accountability.

4.6. Stakeholder Expectations and Accountability Mechanisms

4.6.1. Direct Strategies

The University maintains direct legal influence over Entré through its charter, ensuring it is in keeping with the direction that it wants Entré to be taking:

> *Section 2.1 University and Canterprise Benefits*
> *The company shall carry on any business or activity, for the purpose of advancement of education or educational activities, for the sole benefit of the University and/or Canterprise and not for the private and pecuniary profit of any individuals.*

Some stakeholders are bound themselves to be quite critical of how Entré operates because of their own mandates, especially those distributing government funding. This does show interesting evidence of withholding resources from Entré, dependent upon reports throughout the year:

> *"We pay our sponsorship back to you on a pre-agreed schedule of payments, and we withhold the last payment based on receiving a final report of how you've gone for that full calendar and financial year, and then you get the last amount of sponsorship." (Sponsor 2)*

The most common direct strategy used against Entré is the sponsorship renewal. What the sponsors expect from Entré is kept at the forefront. However, there is a conflict between short-term benefits for sponsors and long-term benefits for Entré. Sponsors are keen for immediate returns for their sponsorship dollars, whereas Entré arguably produces long-term benefits in terms of experience for

the team members and participants. This is shown by the following quotes of what one sponsor ideally wishes to see out of Entré, and how that has not been met yet:

> *"…I know it's a long road for some of these businesses, but it's been going for four or five years now, we would have thought some of those might have been coming to fruition and wanting more accounting or taxation work by now." (Sponsor 1)*

Some sponsors determine how their sponsorship money is used. For example, one stakeholder includes as part of their sponsorship package a 'Sponsors Breakfast', increasing their networking opportunities. There is also evidence of some stakeholders attempting to directly influence Entré's overall mission and goals, to ensure alignment. One sponsor is quoted as follows regarding the shift in Entré's focus from successful teams to the education and encouragement of entrepreneurship in general:

> *"Those are very different aims, and the focus this year and hopefully subsequent years is more about encouraging entrepreneurship and hopefully getting students good experience, rather than trying to necessarily commercialise things."*

4.6.2. Indirect Strategies

Many stakeholders are just happy to be kept informed, and it seems there has to be something very drastic before they would say something. They will give advice and impart influence through the Advisory committee, but not commit any formal actions towards directing Entré, as evident through a future team member's experience of informing stakeholders of future directions, *"We sort of said how we were heading, and they suggested things that we could do… They weren't forceful saying 'you need to do this'"*

There seems minimal accountability in terms of the actual operations of Entré and its day-to-day expenditure. Furthermore, the interest levels and responsiveness of some stakeholders is not as high as that of the actual team, creating a relatively pacified situation:

> *"The financial statements aren't too much of a concern, they're nice to have to know where the money is being spent… But other than that, we're probably the ones who are less responsive than the Entré committee at times." (Sponsor 1)*

Some stakeholders realise that Entré is important to the University, so instead of directly trying to influence the organisation they go through the upper echelons of the University should they have any concerns or issues regarding Entré and its operations. This may be due to the fact that the University holds a longer relationship with the stakeholders than the team does itself, represented by one team member's experiences, *"I do know that complaints go to [the Deputy Vice Chancellor]… They just go to the top person."*

4.6.3. Stakeholder Interest

Many stakeholders are merely happy to 'donate' money to the cause, with no real follow up nor interest in how that money gets utilised, obviously apart from being convinced it's a good idea the next year, as the administrator noted, *"I think some of them are quite content to give their money and come along to the events and that's what they want their involvement to be."* Other stakeholders, particularly the students, seem to have ideas on how to improve and influence Entré, but with no method of doing so and no long-term reason to chase it up:

> *"I think it would have been good to have some sort of live document that if you changed, would show it straight away… it was a bit confusing getting different documents so I guess that could have been improved a little bit." (Participant 2)*

4.7. How Entré Resists Stakeholder Pressure

Some stakeholders, whilst may not be completely agreeing with how their interests are being addressed, realise it is a learning curve for the team and thus have lower expectations. One sponsor expressed the view that *"Well I think it's almost too early to tell yet, because the programme is in its infancy, we understand that."* As Entré continues to operate, this learning curve excuse may not last, with one team member suggested *"They were happy to let things slide because Entré was in sort of foundation years, but as things go on, they will be more like 'if you want our money, give us some returns'.*

Because of Entré's importance to the University, the organisation is able to resist stakeholder pressure because of the relationships the stakeholders want to keep with the University themselves, and the fact ready replacements may step into their place should they depart, one sponsor admitting *"I think it would be easy [to part ways], but I'm sure someone would jump into that hole just as quick and we don't want that... [they] would jump at the chance to get their name out there and be in with the University."*

Moreover, Entré is able to resist stakeholder pressure as there is no binding pressure, illustrated by a team member's comments that *"Because its an Advisory committee there was no binding authority, so sometimes I'd listen and sometimes I wouldn't."*

4.8. Benefits which Stakeholders Receive

The various stakeholders will naturally have varying interests to be satisfied, luckily for Entré it seems that these all coincide with each other, the experience of running a business, the access to entrepreneurial expertise and competitions, and encouraging successful businesses and entrepreneurs are inclusively aligned aims. As one sponsor put it, *"It's three pronged, there's the students, the University, and the entrants as well."*

4.8.1. Access to Teams

Entré can be seen as a vessel for starting relationships with future stars, whilst many stakeholders offer their time to assist teams in competitions and to share their expertise during seminars, there is the ulterior motive of getting their name in and amongst the students, as joking remarks were made to entrants such as *"'if you need some money down the track, don't be afraid to give me a call'"* and there was a general acceptance that *"I think it's in their own interest as well to go and meet with teams so the teams know about what sort of companies there are around that can help them once they get their business started."* This was also evident from certain stakeholder's remarks regarding ongoing relationships with those students that had been through the Entré experience:

> *"We've got students who have entered Entré doing projects for us, and some for the University, with commercialisation projects." (Sponsor 3)*

4.8.2. Media Exposure

Of course for many stakeholders, particularly those donating money, there is the desire for positive exposure and recognition for their efforts. *"It's also from a PR point of view, because [our organisation] likes to be associated with successful things, and if we've made a contribution we like that to be acknowledged"* said one sponsor. However, there is some dissatisfaction with the amount of exposure involved considering the amounts of monetary and in-kind sponsorship given to the organisation, *"it doesn't really get a lot of media exposure, you might need to get The Press or someone on board as a sponsor, not even necessarily giving cash, maybe just an article or two throughout the year. That would be useful."* This need to ensure that real, tangible benefits are received by stakeholders is possibly best phrased by a former board member as follows:

"I think they would like it if someone stood up or was getting written about in the Business Review…"

4.8.3. Relationship with University

As touched on earlier, some stakeholders utilise Entré's importance to the University to foster their own relationship, with the University being one of the largest organisations in Christchurch. One sponsor reflected upon reasons for being involved, *"Well there are two reasons, to keep building a profile within the University and trying to ideally win some work out of the University in terms of accounting work and audit work."* Furthermore, the same sponsor went on to speculate this may be quite a common goal amongst other sponsors *"They won't be student focused but business focused, they would be more about getting a relationship with the University, that will be their key."*

Ultimately, many of the stakeholder goals are short term, but Entré may not be suited to supplying these type of results, with the experiences gained possibly the most valuable outcome of the courses involved. As one sponsor put it, *"There is an old saying that it takes 15 years to become an overnight success"* meaning that some benefits will not be evident for a long time, creating issues for satisfying and balancing stakeholder interests in the here and now.

4.9. Stakeholders Expectations and Management's Intentions

Interestingly, the incoming team does not completely understand what they are getting into with Entré, so it is difficult for them to meet and balance stakeholder interests when their own are not met:

> *"I thought it would be good and I'd have quite a lot of contact with the sponsors, …Yeah, what I ended up doing was very different from what my expectations were…"* (Team member 3)

Some jobs which were expected to be done were not, creating difficulties for this year's team in their dealings with other stakeholders. For example, some sponsorship was meant to have been taken care of by the outgoing team, but as a team member stated, she was left to do it herself which was less than ideal as it was left too late: *"In some minutes it says that [last year's CEO] was to organise the sponsorship for this year, like it was an actual directive but never followed."*

Quite a focus of Entré seems to be on one stakeholder group, the students. One future team member spoke of next year's direction *"At the moment its focussed on becoming the leader of start-ups in New Zealand and we felt that's sort of a bit unachievable to do that, so it's now changed to more of a focus on education."* Moreover, other stakeholders' needs may not be realised for a number of years, with the long-term gains not meeting the short-term expectations or desires. Although sponsors may want overnight successful businesses to pin their name against and receive business from, a Board member suggests that this may not be achievable:

> *"For me the ultimate success story will be 10 years down the track, the ex members of Entré are all tallied up and the list reads that so and so is managing this big company… that will be the ultimate measure of success. It won't be any one specific business that succeeds."*

The management team have their own personal agendas, which may or may not assist in the running of Entré and the firm's needs to meet stakeholder interests. Above seeking positive experiences for a C.V., some team members actively seek employment directly from stakeholders, *"… to try and meet some employers and sort of get a job out of one of them at the end of it."* Ultimately, however, the goal is to make sure that Entré continues to operate, while perhaps stakeholders are seen as supplementary to that goal. Their interests in operations were realised to be somewhat easy to fulfil, with the task of keeping the organisation running regardless at the forefront

of this year's planning by a team member: *"At the end of the year I realised the sponsors were happy, and it wasn't because the events were tailored to them, it was what I did behind the scenes…"*

5. DISCUSSION
5.1. Practical Implications
Going forward, Entré has recognised similar beneficial practices as identified by Scalzo (2006). His results indicated that the organization followed three key management practices throughout the entire change process: ongoing communications, senior management commitment, and planning. Entré has seen the commitment of the Board, with the University getting more behind the organisation and implementing the introduction of an administrator. Furthermore, the increased importance placed on each management team planning for future years, particularly in regards to sponsorship, as well as the introduction of personalised USB memory drives to retain individuals' experiences and documentation are expected to be influential in managing the change process.

In terms of the management turnover, Mordaunt and Dixon's (2005) discovery of 'it [taking] a year to understand your role so, by the time you do - it's nearly time to move on' (p.6) also seems directly comparable. The team leaves their management responsibilities with a better understanding of the organisation and a general consensus of a view to doing things differently once they had learnt all they had. The fact that many of the Entré management team utilise their time involved as a way to add to their C.V. and possible employment opportunities with stakeholders means that their actions will be aligned and aimed at fulfilling stakeholder expectations.

The findings also support McClusky's (2002) conceptual framework for re-examining non-profit governance. He suggest that the critical factors for non-profit governance are: the number of active volunteers and the breadth of roles they perform, the level of trust and confidence between the chief executive and the board, executive transition, and environmental factors such as a fundamental change in funding sources. There has been unique trust and confidence issues between the management team and the Board. The Board tended to trust the management team to effectively carrying out their objectives as they did not utilise monitoring or controlling functions. Meanwhile, the executive team found it difficult achieve their objectives with limited mentoring from the Board. With the University becoming more involved and the inclusion of new Board members, this is expected to be rectified.

In terms of ranking the stakeholders, it seems that Entré is fortunate in having a closely aligned group with similar objectives in mind, with no one interest excluding another. Mitchell's *et al.* (1997) factors of power, legitimacy and urgency, and consequently Parent and Deephouse (2007), do not seem to extend naturally to Entré. Often the most powerful stakeholders are the least demanding as they are perhaps the busiest. Stakeholder demands depend on the stakeholder's representative and their personal traits and interests, as shown by larger sponsors' representatives taking longer to get back to Entré, and newer smaller ones being more involved in decisions and events.

There is a significant difference between the short-term goals of the stakeholders, and the long-term benefits that Entré generates. The experiences provided to the participants of the competitions and seminar series as well as the management team may not be evident for a number of years. Further, overnight success stories in terms of start-up businesses are rare at best. This results in a tension of explaining to and convincing stakeholders of Entré's worthiness of support now. Stakeholders can desire short-term benefits, but Entré exists to provide long-term benefits. Some questions have been asked as to why there has not been any short-term success story. Entré's management team, to some extent, have no real influence on the quality of the entrants and their business ideas and proposals. Apart from ensuring the education they provide is as good as possible,

Entré may not be able to deliver the results some stakeholders' desire in terms of successful businesses.

5.2. Theoretical Implications

Overall, Entré appears to conform with most currently recognised stakeholder literature in terms of identifying stakeholders. The all-inclusive conceptualisations incorporating any entity maintaining an interest or even remotely being affected by the firm, no matter how powerless (Freeman, 1984; Phillips *et al*., 2003) may be able to be utilised due to the limited areas Entré operates within and the number of those related to the firm. However, the University staff, student body, and Christchurch business community were barely mentioned, and Christchurch and New Zealand citizens were not mentioned at all. Furthermore, the environment or anything beyond are not considered. Entré's Board and management focus purely on sponsors, the University's Vice Chancellor and Deputy Vice Chancellor, and student participants, which is a fairly narrow definition of stakeholders, as in Laplume, *et al.* (2008) and Phillips and Reichart (2000).

Strategies used by the stakeholders to influence Entré are consistent with Frooman's (1999) classification of stakeholder influence strategies, with direct and indirect strategies evident. However, those stakeholders that may have aspirations to influence the organisation, however are not in a position to, namely the students. The Advisory committee could be argued to be a coalition to combine power and legitimacy in a way that enhances their bargaining position (Neville and Menguc, 2006). Although the committee has no binding authority, it does have substantial influence over the management team in terms of mentoring and business experience. Furthermore, by inducing stakeholder representatives' involvement in the managerial decision process, any competing interests are balanced as alternate viewpoints are heard and discussed by the group (Burton and Dunn, 1996).

Traditionally nonprofits have been studied through resource dependence theory (Miller-Millesen, 2003) and have focused on the link between the organisation and its environment, particularly how organisations attract critical physical and intellectual resources. While this framework may suit many non-profit organisations, due to Entré's unique circumstances, it makes it exceedingly difficult to take cultural and historical forces into account due to the short tenure of the management team. However, it is still applicable to consider this interaction with a wide array of external forces, suggesting a responsibility is required to more than just the principals and agents. Companies with poor stakeholder performance may find it difficult to acquire necessary support and resources for continued operation (Alam, 2006).

Due to Entré's management team being able to satisfy the interests of stakeholders without detrimental effects to any other group, the Stakeholder Salience model is not applicable, as no ranking system is needed. Stakeholder-agency theory suggests that in satisfying claims made by stakeholders, the amount of resources available to managers to increase growth through diversification is diminished. This, however, is not evidently one of the goals of the organisation or management, and due to the close alignment of goals the amount of monitoring needed is diminished, satisfied by the Advisory committee meetings. The major concern of stakeholders that Entré was losing all organisational memory has been mitigated by the hiring of an administrator.

6. CONCLUSION

This research project contributes to the area of stakeholder-agency theory both practically and theoretically. The case study approach has provided a general insight into Entré and its governance, accountability and management issues. This research shows that the annual changeover of the executive has impacted the relationships with stakeholders over the years, with poor systems exacerbating the handover process. The issues contributed by the Board's level of commitment have

been alleviated by the increased support from the University, although the effects of this will not be apparent for some time yet.

The stakeholders of the organisation have been identified, with a narrow view being taken by the management team and the Board. Due to the closely aligned objectives of each group, no ranking system has been required to balance interests according to power, legitimacy or urgency, although a certain level of sponsorship must be given to be invited to the Advisory committee. It has been shown that when stakeholders are included in the decision-making process, these interests are able to be met widely. However, for other companies with larger stakeholder groups this may not be so easily achieved The dynamics of having an Advisory committee with more than ten groups present would be difficult to maintain and time-consuming to hear all perspectives on matters.

The short-term goals of the stakeholders compared to the long-term benefits Entré is able to provide raise a further dilemma. While immediate benefits of the relationship with the University, recruitment and media exposure, though the latter could be increased, are felt, it may only be a matter of time before the lack of a success story coming through the competitions becomes a dividing issue and stakeholders discontinue support.

The limitations of this research include that it cannot easily be repeated in most entities due to Entré's unique circumstances. The limited number of stakeholders means that it is able to balance interests quite easily without much compromise, exacerbated by the fact that Entré's stakeholders have similar goals and are not competing for resources. Further, the fact that those interviewed were likely to be those that are most involved in Entré, and thus more willing to give their time, may influence the results. One of the researcher's views is biased in terms of already having relationships with stakeholders may also have impacted those that were willing and available to be interviewed.

Most impacts will be felt by next year's management team and stakeholder relationships. The administrator has worked this year to improve the systems, thus ideally the research would include next year's experiences with those systems. Whilst future team members have been included in this research, only their expectations are able to be expressed at this stage. Therefore, future research should study Entré over the long-term, discussing whether the issues highlighted vary from year to year and what impacts the University and Board's increased involvement has, as well as the administrator. Further, a comparative analysis of Entré and other similar organisations, for example Spark in Auckland, would develop the area in more detail.

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