Failure is an option: the entrepreneurial governance framework

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Abstract
Purpose – It has been more than 20 years since the “Reinventing Government” movement swept through the American public sector. Over time, the tenets of public entrepreneurship and new public management have diverged due to liability and risk aversion. One of the core elements of entrepreneurship is risk taking, and with it the likelihood of failure. The purpose of this paper is to reconcile these issues under a simple framework of “entrepreneurial governance” that works across the elements of knowledge, innovation, opportunity, and implementation.
Design/methodology/approach – This is primarily a set of problems (liability, risk aversion, critiques) that negatively impacts the application of public entrepreneurship. To build a framework, the author made a substantive review of the literature to “get back to basics” and clarify the problems, as well as draw fundamental concepts about entrepreneurship.
Findings – The framework was developed by applying the more current notion of “governance” with the basic elements of entrepreneurship, acknowledging that in implementation we have to account for the critiques by reinforcing responsible risk reduction and ethical decision making.
Research limitations/implications – The intent was to create a framework based on fundamental aspects of entrepreneurship. The limitations/implications are that additional research will have to develop more concrete testing methods and then test the framework.
Practical implications – The intent here was to create a “practitioner friendly” prescriptive framework that could be almost immediately applied.
Originality/value – The reliance on existing literature reduces some of the originality, except to re-conceptualize public entrepreneurship in a way that accounts for its shortcomings. The value in shifting culture and responsibly reducing risk is difficult to estimate.

Keywords Innovation, Governance, Decision making, Entrepreneurial action, Risk reduction, Public entrepreneurship

Paper type Research paper

Introduction
An idea untried will always fail. Many, if not most, ideas also fail when tried. Many succeed too. At its core, “entrepreneurship” is about developing ideas, assessing risk and reward, implementing, and evaluating success or failure. Entrepreneurship, like so many other concepts in the public sector, was drawn from the business world. The notion of “public entrepreneurship” blossomed with the Reinventing Government movement of the 1990’s, alongside “new public management.” More recently, a paradox has developed between the continued calls for public entrepreneurship and its well-chronicled failures – many of which fall under new public management initiatives.

The author takes the position that the critiques must be acknowledged and addressed, and that our discipline should step away from empty phrases and metaphors that simply sound good to the public and media. The discipline can reconcile the critique as well as seek to have public entrepreneurship and new public management co-exist. With ideas comes risk and with risk, chances to succeed or fail (or both). We must seek to minimize the risk and the potential impact of failure to the public, while accepting it is a possible outcome. This paper will discuss
the critique of public entrepreneurship, propose a prescriptive theoretical framework of “entrepreneurial governance,” visit the entrepreneurship literature, and suggest applications. The framework takes into account the inherent conflicts of business solutions to public problems and proposes solutions, with the intent of guidance for how public servants can proceed.

The critique of public entrepreneurship

What went wrong?
The “new public management” paradigm was coming into its own in the early 1990s. Hood (1991) tells us that, “like many previous administrative philosophies, new public management was presented as a framework of general applicability (universality), a ‘public management for all seasons’” (p. 8). The notion of public entrepreneurship would reappear under this umbrella. Kuhnert (2001) noted the term “public entrepreneur” first appeared in Elinor Ostrom’s (1965) dissertation. It was not until almost three decades later that public entrepreneurship would cascade through the American public sector with Osborne and Gaebler’s (1992) Reinventing Government.

The Clinton/Gore administration took the lead in 1993 to incorporate Osborne and Gaebler’s work at the federal level with the National Performance Review. This became the Government Results and Performance Act and evolved over the years to its present form. Government agencies at every level scrambled to demonstrate (real or imagined) they were being better stewards of public funds, providers of services, citizen oriented, and to rebuild the trust between public servants and those they serve. This included heeding the call for more entrepreneurial activity.

Language and corruption
Since the heralding of “Reinventing Government,” a darker side emerged too. The rush to embrace this philosophy included wholesale adoption of the business language to accompany the practices. Liability concerns and organizational culture appeared to have move government policy to be more risk averse than risk taker. Hood (1991) argued that, “broadly, new public management assumes a culture of public service honesty as given” (p. 16). This was not entirely true. As someone who completed a public service career prior to academia, the author “lived” through this era.

The pressure on public servants to adopt the new public management notions of efficiency, effectiveness, and stressing results-oriented practices (Hood, 1991) seemed to run counter to public entrepreneurship rather than complementing one another. The academic critique linking entrepreneurial government and new public management practices to corruption and failing to serve the public, as well as taking unnecessary risks, honestly has merit. There are numerous cases of elected and appointed officials at every level of government who created false successes and cut corners in order to meet increased demands for perceptions of success. This is not to say corruption or incompetence is a new phenomenon—it has been around since the dawn of government.

In the literature, we find numerous and powerfully argued critiques on public entrepreneurship, as well as many examples in the popular media. The adage that seems to rear itself during every election season, “we should run government like a business” may be relatable to voters responding to perceptions of government inefficiency, waste, and corruption. Public administration academics and practitioners recognize the stark differences between the public and private sectors, yet the discipline continues to freely borrow business terms and concepts. The whole notion of public entrepreneurship and its attendant language is derived from the private sector.

If we were to begin with the Halachmi (2005) observation that “protecting the public is the (emphasis added) mandate that must be observed by all levels of government” (p. 307),
we can see instances where public entrepreneurship ignored its mandate. For example, Arboleda et al. (2009) say “many governments at the national, regional, and local levels are attempting to foster entrepreneurship in unproductive and uncoordinated ways, doing too many things at once or resorting to generic rather than locally meaningful plans” (p. 3). Rosenbloom et al. (2009) say that public entrepreneurs “may eventually undercut the democratic processes of representative government” (p. 153). In describing their loose coupling approach, Schott and Jensen (2008) say, “when public policy is decoupled from entrepreneurial activity […] it is possible that the effect on the entrepreneurial activity is negligible and perhaps even insignificant” (p. 197).

Harmon (1995) envisaged the “technical language of organizational effectiveness” replacing “the moral and legal language of duty and obligation” (p. 180). Also referring to language, Schacter (1995) argued that “reformers use business-world metaphors assuming that private-enterprise efficiency has positive connotation for their audiences” (p. 533). Vincent Ostrom (2008) specified the settings “to meet an appropriate set of conditions for sustaining public entrepreneurship under reasonably optimal conditions” (p. 60).

In further noting the difference between the public and private sectors, Schacter (1995) says “the customer metaphor is equally flawed” because “in the private market, customers choose among products and services” (p. 534). Cohen et al. (2013) rightly point out that “unlike private entrepreneurship, the public variant must operate within the constraints of statutory authorizations, legislative appropriations […] politics, the media, and public opinion” (p. 268). Stillman (1991) observes that “the stress on privatized and decentralized administrative solutions as being overall preferable, indeed superior, to actions by public administrators seems excessive and idealistic” (p. 184).

In perhaps one of the strongest critiques of the notion that government should be more market oriented, Frederickson (1995) argued:

First, that democratically adopted laws and regulations must be followed. Second, that making money is not one of the purposes of government. Third, public funds should never be put at risk. Fourth, that while it may be acceptable in business for the customer to beware, the citizens of local government should not have to beware. Finally, the primary responsibility of public officials is to vouchsafe the legitimacy of democratic governance in the eyes of citizens (p. 9).

The potential for outlining proper evaluation of publicly funded efforts can also be problematic. Sabatier and Mazmanian (1980) noted that “none of the available (implementation) frameworks explicitly addresses solvability of the problem(s) addressed by a public policy” (p. 540). The process of evaluation, defining success, or even establishing measures has been difficult (Lerner, 2014; Petchy et al., 2008). Gilbert et al. (2004) caution that “entrepreneurship policies are implemented at all levels of government and are growing in utilization warranting greater attention and understanding than is currently available” (p. 313).

Frederickson (1993) predicted, “as previously governmental functions are shifted to the private sector or shared, it is a safe bet that corruption will increase” (p. 250). The author can recount the efforts of a number of senior administrators to short circuit an accountability system in the organization where he spent most of his public career, which in turn ruined the reputations of the agency and many high ranking officials. This type of behavior occurred in events of varying degrees all across the country, where public officials trusted to do the right thing decided to cheat (or even commit crimes) to appear successful. It continues to occur as this is being written and surely as you are reading this too.

Compounding the critique: the paradox of accountability and risk taking

Poister (2010) observes that “over the past twenty five years performance measurement has become widely accepted, outcome focused, more sophisticated, and institutionalized in both government and the non-profit world” (p. 100). Bernie and Hafsi (2007) note that, “the very
existence of entrepreneurship is certainly one of the most enduring paradoxes of any examination of the public sector” (p. 488). Alongside the public entrepreneurship movement, was the growth of new public management’s outcome based/results-oriented philosophy, with accountability at its core. Stenberg (2007) said: “Citizens expect local governments to be entrepreneurial and equitable, as well as efficient and effective” (p. 1). Yet, Waldo (1980) terms economy, effectiveness, and efficiency as “three important related concepts of public administration” (p. 174) that are not easy to interpret.

The values of economy, efficiency, and effectiveness grew out of the scientific management movement (Stillman, 1991), which actually was also drawn from the business sector, along with Weber’s notion of bureaucracy among others. These would seem counter to the entrepreneurial model. For outcome based/results-oriented management to be considered successful, there has to be performance measurement. Efficiency and effectiveness tend to get the most attention in performance measurement (Poister, 2010). Efficiency is often viewed in terms of performance in relation to its cost (and fewest resources used) and effectiveness as the extent to which goals and objectives were met (Nakamura and Smallwood, 1980; Holtz-Eakin, 1995; Carroll et al., 2010; Cellini and Kee, 2010; Klein et al., 2010; Henry, 2013). Terms like efficiency and effectiveness in performance management are almost empty phrases because they are so misunderstood and often bundled together like synonyms.

Risk culture becomes an issue too. Rainey (2014) notes there are “many constraints on public organizations that can hamper their performance,” including the “complex sets of goals and difficulties in measuring performance, political interventions and turnover, externally imposed rules, inadequate resources and funding, policies and programs that are poorly designed by policymakers in the executive and legislative branches” (p. 451). Benest (2005) adds “the impact of diminished organizational capacity to deal with existing problems and new issues is greater than the impact of simply reduced resources” (p. 1). The interesting note here is the disagreement in the literature on whether risk is more prevalent in the public or private sectors and how risk is perceived. Feigenbaum and Howard (1988) argue that “most of the literature dealing with risky choice assumes that decision makers are risk-averse” (p. 88). There has been debate if the public sector, by its nature, is less willing to take risks than the private or non-profit sectors.

Numerous examples of risk-averse behavior and risk culture have had very negative consequences in government. Bozeman (2002, 2003) examined the federal government’s Internal Revenue Service adoption of a tax modernization system, where failure was attributed to many factors, including fear of negative career impacts of risk taking. Van Natta and Johnston (2002) cited a risk-averse culture at the Federal Bureau of Investigation for failing to disseminate and follow up on potential terrorist information prior to the attacks of September 11, 2001.

Ballante and Link (1981) argue that, “our hypothesis is that innately risk-averse individuals will have a greater propensity to choose the less risky sector, that is, the public sector” (409). Bernie and Hafsi (2007) concur with this notion by saying, “the public sector is often perceived to be synonymous with bureaucratization and it is associated with routine behaviors, risk avoidance, and lack of initiative” (p. 488). Wittmer and Coursey (1996) sound a similar tone, “that generally, public managers perceive the ethical climates of their organizations less favorably than do private sector managers” (p. 568). Cheng and Bozeman (2012) found that, “public sector managers feel they work in environments in which risk is discouraged” (p. 395). In an earlier study, Bozeman and Kingsley (1998) argued that, “not only are the supposed deleterious effects of risk aversion not proved, the empirical claim that public sector managers are more risk averse than private managers has not been conclusively determined” (p. 109).

In trying to flesh out the relationship between risk and return in the private sector, Bowman (1980) argues in his study that “[...] it appeared that not only is risk not associated
with higher profits/returns, but it is actually associated with lower profits/returns” (p. 18). Marsh and Swanson (1984) questioned Bowman’s finding because of the test methods, saying, “We find, unlike Bowman, that there is no negative tradeoff between risk and average return” (p. 44). Yet, Feigenbaum and Howard (1988) support Bowman’s view of the risk-return paradox, saying that “most individuals exhibit a mixture of risk seeking and risk-averse behavior” (p. 88).

In the public sector, a “zero defects” mentality leads to risk aversion. The “zero defects” or “no mistakes” mentality, as Cohen et al. (2009) note “are hardly a good recipe for the efficient production and delivery of high quality public services” (p. 3). In the public sector, most decisions about ideas are made under conditions of uncertainty (Klein et al., 2010; and Cohen et al., 2009). In uncertainty, there may be failure, and in turn a negative impact to the decision maker. In the private sector, Hall and Sobel (2006) point out that there are many business start-ups, as there are failures. According to Shane (2008), “in the United States, the correlation across industries between start up rates and failure rates is a whopping 0.77” (p. 7).

Halachmi (2005) questioned why risk practices are not enhanced both “within and outside government” (p. 307). Fear of failure can lead to risk aversion and ethical lapses behaviors. Mintrom and Norman (2009) agree that “risk aversion among decision makers presents a major challenge for actors seeking to promote significant policy change” (p. 653). Berman and West (1998) note that, “bureaucratic cultures of fear among employees and managers often create a climate that supports actions that are insufficiently informed by ethics” (p. 347). It seems that the emphasis on accountability in the new public management would chill risk taking, yet risk taking is critical to entrepreneurship (Cohen et al., 2013; Berman and West, 1998). Wittmer and Coursey (1996) take a different view, with “another possible explanation, more encouraging for the public sector, is that public managers simply may be more sensitive and concerned about the ethical dimensions of their organizations” (p. 569).

The entrepreneurial governance framework
Baumol (1990) talks of public entrepreneurship as “rules of the game” arguing it “can sometimes be unproductive or even destructive, and that whether it takes one of those directions or one that is more benign depends heavily on the structure of payoffs in the economy” (p. 899). Despite the critique, the call for more (not less) entrepreneurship exists in the public sector. We cannot overlook the widespread (and valid) critique about what government should and should not do, nor should we permit corrupt and unethical behaviors done in the name of success diminish greater opportunities for public entrepreneurship. In response to the critique, a prescriptive theoretical framework is proposed to guide practitioners in application of public entrepreneurship (Figure 1).

This framework shifts the notion of public entrepreneurship to the more encompassing “entrepreneurial governance.” The work of Klein et al. (2010) was influential in developing the framework. Within the framework, the process follows from left to right (a concession to rationalism). Each of the elements in the process, as presented later from the literature, is essential to entrepreneurship and must be present (in both public and
private entrepreneurship) as the basic elements toward entrepreneurial governance. The four stages (knowledge, innovation, opportunity, and implementation) are prevalent either directly or indirectly across the public administration and business literature. As a framework, it is also intended for these to be flexible to the extent that the framework can be adapted to situations. Risk culture and risk reduction underlie each stage in the framework – meaning risk is present throughout entrepreneurial governance. This is discussed in depth later.

The framework, while intended to be a process, is also intended to be simple and flexible. It progresses from knowledge to innovation to opportunity to implementation as a direction where the former has to occur to give rise to the one that follows. Risk is present in all stages and decisions to proceed along the framework must address risk. For the purpose of simplicity and not to mimic the logic model (or its permutations), evaluation is ongoing (especially in the context of sequentially moving from one stage to the next) and a feedback loop is not necessary to establish the action of the framework.

Building the framework: explaining the terms

Entrepreneurship: from the private to the public sector

Osborne and Gaebler’s (1992) Reinventing Government was premised on shifting the public sector toward entrepreneurship through their case study supported “models of governance” and is probably one of the most recognizable in the practice of public administration as contributing to the current trends in management. While the author may recall the “how to” nature of the book and that it was “required reading” in the 1990s, the whole notion of “entrepreneurship” has a much longer history. The public sector has borrowed terms, concepts, and principles from the private sector since at least Max Weber and Frederick Taylor. The same can be said of introducing entrepreneurship into the public sector.

For example, the term “entrepreneurial spirit” appears in the title of the Osborne and Gaebler (1992) book. Kreft and Sobel (2005) inform us that “the ‘entrepreneurial spirit’ is something that has been long associated with the driving force behind economic progress and growth” (p. 595). In addition to the ample work in the business literature, there is a growing body of entrepreneurship study in public administration literature. In the public sector, the opportunities for studying entrepreneurship are as diverse as the American layered structure of government. Entrepreneurship can be studied at varied levels of government, types of governments, size of government units, as well as how the government unit or jurisdiction is administered (i.e. strong mayor, commission, etc.). It is being studied from individual to group to organizational levels. Entrepreneurship is also being studied as a collaborative sector phenomenon of public, non-profit, and even with the participation of private players.

The same can be said of the academic approach: “The interdisciplinary nature of entrepreneurship research reflects a phenomenon that crosses the boundaries of multiple units of observation and analysis, such as the individual, groups, enterprises, cultures, geographic locations, industries, countries, and particular episodes of time” (Audretsch et al., 2007, pp. 3-4). An issue is not only how widely public entrepreneurship occurs and can be studied, but also diffuse terms such as the three common associations of public, policy, and political entrepreneurs enters the dialogue. David Audretsch (2004) tells us that entrepreneurship “is a multi-faceted, complex social and economic phenomenon” and “does not correspond nicely with any established academic discipline, such as economics” (p. 167). Shane and Venkataraman (2000) are in agreement by saying that “entrepreneurship has become a broad label under which a hodgepodge of research is housed” (p. 217). Part of the challenge is to build a working definition of entrepreneurship that can form the basis for the “entrepreneurial governance” framework from among the many available to us in the public and private sector literature.
What is an “entrepreneur”?
As noted earlier and like so many other public administration concepts, entrepreneurship has its origins in business. Joseph Schumpeter (1934) characterizes the entrepreneur as having “initiative, authority, or foresight” (p. 75). Frank Knight (1956) describes the principle of entrepreneurship as “a special and very important form of exchange occurs when one person places his economic capacity under the direction of another, on terms fixed by agreement” (p. 258). Israel Kirzner (1960) argues that competition encourages entrepreneurs to discover new knowledge and exploit opportunities to bring the new knowledge to the market. Kirzner also emphasizes alertness and discovery as the key elements in entrepreneurial behavior (McCaffrey and Salerno, 2011).

Carl Kaiser (1990) identifies three distinct waves in entrepreneurial theory: the role of the entrepreneur as bearer of risk, the innovation function of the entrepreneur, and the ability of the entrepreneur to perceive and respond to market disequilibria. Holtz-Eakin (1995) adds that “entrepreneurs do struggle, new ventures scramble for financing, small businesses frequently merge and nearly as frequently fail” (p. 20). While we can acknowledge that entrepreneurs both succeed and fail, it is in the private sector that delineating success and failure is straightforward: profit or loss.

Entrepreneurs in the business literature have also been labeled according to behaviors. For example, Schoar (2010) uses the terms “subsistence entrepreneurs” to describe small-scale businesses and “transformational entrepreneurs” for large scale ones. Hall and Sobel (2006) say “lifestyle entrepreneurs” enter business to stay on their own terms, while “gazelle entrepreneurs” move quickly through businesses once established. Edobar (2013) argues that entrepreneurs are “different from ordinary businessmen who only perform traditional functions of management like planning, organizing, and coordinating” (p. 122). Therefore, persons, places, behaviors, culture, and other elements can enter the already crowded field for a definition.

As we shift from private to public entrepreneurship, we have to consider that this is also an area with varied meanings and applications. The term “public entrepreneurship” first appears about 50 years ago. In her dissertation, Elinor Ostrom (1965) used “public entrepreneurship” as her approach to study ground water basin management in Southern California. She developed the notion by positing that there were common goods and services that could only be provided by the public sector and “the vast variety of organizational forms among municipal and public corporations would appear to provide substantial latitudes for the exercise of public entrepreneurship” (Ostrom, 1965, p. 5).

Numerous definitions and interpretations would follow. Roberts and King (1991) define public entrepreneurship as “a process of introducing innovation to public sector practice” (p. 150). Long before Osborne and Gaebler (1992) and Nakamura and Smallwood (1980) use the term “bureaucratic entrepreneurs” to refer to the implementers who “seize power from the policy makers and gain control of the policy process” (p. 133). Klein et al. (2010) say “entrepreneurial ideas are framed, developed, pursued, institutionalized, and enacted through processes that are both analogous to and intertwined with private entrepreneurship” (p. 12). In his seminal work on street level bureaucrats, Michael Lipsky (1969) characterized the wide amount of discretion used by the public employees who directly provide services, which in turn can be considered to exercise behaviors similar to entrepreneurs.

In the literature, public entrepreneurship is also covered as “policy” and “political” entrepreneurship. There are two important points to be made here regarding public decisions: first is Dye’s (2010) famous definition that “public policy is whatever governments choose to do or not to do,” and second from Theodoulou (1995), “we cannot divorce politics from public policy or the environment in which it is made” (p. 2). These describe, albeit briefly, the environment in which the public sector enacts policies. Roberts and King (1991) perceive that “policy entrepreneurship, like so many other human activities, represents a
complex, interrelated social process in which many activities occur concurrently and in which the conditions for action are only partly under the control of the actors being studied” (p. 158). A “policy entrepreneur effectively represents groups not directly involved in legislative policy making” (Rosenbloom et al., 2009, p. 393).

McCaffrey and Salerno (2011) link political entrepreneurs to the notion of “individuals alert to opportunities to profit from the political system” (pp. 552-553) and describe political entrepreneurs as having “the same or similar functions in the political sphere as entrepreneurs perform in the free market economy” (p. 553). While policymaking and politics are study areas for entrepreneurship on their own, we have to account for the varied players, interests, processes, and other influences in these areas (Mintrom and Norman, 2009; Schott and Jensen, 2008) and how public entrepreneurship becomes a part. Public entrepreneurship, according to Shockley et al. (2006), “occurs whenever a political or government actor is alert to and acts on, potential political profit opportunities, thus equilibrating the policy subsystem in which the actor is embedded and moving it toward a new equilibrium” (p. 205). This is a definition that is very similar to that found in the business literature. Boyett (1996) sounds a similar theme by noting in public entrepreneurship, there are an uncertain environment, shifting power, and the need for “the ability to spot market opportunity and to act on it” (p. 49).

There is also a substantial divergence between public and private entrepreneurship. Unlike in the private sector, what public entrepreneurs do is “complex and often ill-specified; measurement of public gains and losses is difficult; the selection environment is complicated; and private and public resources may be deployed in socially harmful as well as beneficial ways” (Klein et al., 2010, p. 5). Boyett (1996) argues that “perhaps the most significant difference between the business and public sector entrepreneur pivots around the seeming lack of entrepreneurial profit” (p. 49). In business, there is consent. In the public sector, there is not.

With the interdisciplinary nature of studying entrepreneurship, Shane and Venkataraman (2000) posit that “perhaps the largest obstacle in creating a conceptual framework for the entrepreneurship field has been its definition” (p. 218). Throughout the business literature, five elements of entrepreneurship emerge as the most prevalent to carry over into the public sector version (including a selection from the many literature references):

- knowledge (Schumpeter, 1934; Osborne and Plastrik, 1997; Geuras and Garofalo, 2011);
- innovation (Kirzenner, 1960; Blanchflower and Oswald, 1998; Audretsch, 2004; Bernie and Hafsi, 2007; van der Steen and Groenewegen, 2008; Murdock, 2009; Klein et al., 2010);
- opportunity (Kirzenner, 1960; Blanchflower and Oswald, 1998);
- implementation (Knight, 1956; Audretsch, 2004); and

In the author’s view, it would be a fool’s errand to stress a single definition for entrepreneurship or create yet another in an already busy forum, especially as we cross the concept over from the private to the public sector. It might be more prudent to embrace the variety of definitions and seek commonalities from among them to build the framework. We do continue to see the elements of knowledge, innovation, opportunity, action (implementation), and risk-taking surface in the public sector entrepreneurship literature. For the purposes of building our framework in public entrepreneurship, the common elements from across both the public and private (business) sector literature will be applied.

From “governing” to “governance”
Osborne and Gaebler (1992) used the term “governance.” Like “efficient” and “effective,” the term “governance” appears frequently while what it represents is less understood.
In the context of this framework, the meaning of the term “governance” is as essential to bringing together the elements of entrepreneurship framework as is addressing risk. In turning back to the literature, R.A.W. Rhodes (2007) is often cited (and critiqued) by including the following factor in governance:

- Interdependence between organizations. Governance is broader than government, covering non-state actors.
- Continuing interactions between network members, caused by the need to exchange resources and negotiate shared purposes.
- Game like interactions, rooted in trust and regulated by rules of the game negotiated and agreed by network participants.
- A significant degree of autonomy from the state. Networks are not accountable to the state; they are self-organizing (p. 1246).

Networks are critical to the view of governance proposed by Rhodes. Budd (2007) concurs, noting the informality of the relationships and that “in public administration and public management literature, governance takes on a more nuanced hue” (p. 533). Halachmi (2005) includes non-governmental units “under non-binding arrangements” (p. 302) in a non-traditional sense and stresses “partnerships with other elements of the civil society for the purpose of overcoming limits on action due to governmental structures, legal issues, or administrative procedures” (p. 306).

Kjaer (2011) expands the definition of governance as “changing boundaries between the state and society,” and it “also strengthens a focus on the implementation side of the policy process” (p. 106). Chinn (2013) notes that an entrepreneur in the public sector should be a broker, catalyst, facilitator, and educator – in other words, be able to collaborate. Nakamura and Smallwood (1980) believe entrepreneurs combine political skills in implementation efforts. Mintrom and Norman (2009) add that “like their counterparts in business, policy entrepreneurs are team players” (p. 653). Collaboration is a growing area in the literature (Linden, 2004).

The federal government is making collaboration part of its practices under strategic management, which would indicate these are not mutually exclusive. Collaboration is also a way to spread risk among players. As Stenberg (2007) notes, “while the focus in the past was on the authority and activity of individual units of government, the focus today is on how governmental units can work with each other and the private and non-profit sectors to accomplish results that the public wants” (p. 7). For our purposes, the term “governance” will represent collaboration among participants on any particular issue, program, policy, or practice. Governance here will include complexity, reduced resources, technology, crossing silos and boundaries, and, of course, collaboration.

Framework stages: knowledge, innovation, opportunity, and implementation
The currency of the twentieth century may be knowledge, but this is not a recent development. Knowledge is cited in the literature as integral to entrepreneurship (Audretsch and Link, 2012; Benest, 2009; Murdock, 2009) or as a by-product of it (Audretsch, 2004). Therefore, knowledge is the starting point in the framework. In discussing the three fields of knowledge in economics, Knight (1956) noted the first was the knowledge of the external world, the second, logic and mathematics, and the third as the knowledge of human conduct (interests and motivation) is where economic problems lie. What are the participants bringing to the effort through learning, experience, or other means? Knowledge is also the element where success and failure may be distinguished. Defining “success” and “failure” is up to the public entrepreneur and stakeholders within the collaborative effort.
At a minimum, what constitutes success and failure should be at least understood by the participants. Success and failure indicators may change throughout the process, especially in the action element of implementation. In success or failure of ideas, knowledge can be generated and used for other ideas (Audretsch et al., 2007; Gilbert et al., 2004).

Innovation is the cache of new ideas (Audretsch and Link, 2012; Klein et al., 2010), drawn from knowledge, that drives the engine of change (Edobar, 2013). Audretsch and Link (2012) give a nod to Schumpeter: “Innovation is first and foremost about change. This change can involve products, processes, organizations, or institutions” (p. 8). Roberts and King (1991) take this notion a step further, “a public entrepreneur not only must have an innovative idea, but must also design and translate that idea into a more formal, explicit statement” (p. 152). Kuhnert (2001) used “the language of entrepreneurship developed in economics for explaining innovative collective action” (p. 18). He also notes that innovation comes with uncertainty and unintended circumstances. Klein et al. (2010) describe innovation using the terms, “new ways,” “new ideas,” and “new mechanisms” (p. 3). Knowledge generates ideas, but in our context, those ideas have to bring something different (in any degree) and be considered by the participants as a change to previous ideas.

Very early in the author’s public career, a wizened veteran preached that timing was the “secret of life.” While many years later, this may seem more valid than not to the author, timing is also important to the notion of opportunity. The literature tends to agree that a fundamental component of entrepreneurship is the ability to discover and exploit opportunities (Mintrom and Norman, 2009; Hall and Sobel, 2006; Shane and Venkataraman, 2000). Knowledge and innovation must wait until an opportunity arises or one is created. While opportunity is one of the essential elements across the entrepreneurship literature, in the public sector and the political process, moving forward and timing often complement one another.

The most knowledgeable public entrepreneur, with incredibly innovative ideas, who discovers and wishes to exploit the opportunities presented, will go nowhere without the action component to entrepreneurship of implementation. There are numerous implementation models in the literature, Nakamura and Smallwood (1980), Sabatier and Mazmanian (1980) or their later Mazmanian and Sabatier (1989) version among many others. The author argues that implementation is action oriented, as is a conscious effort for responsible risk reduction and ethical decision making. This does not mean that a public entrepreneur can automatically move into implementation once the knowledge, innovation, and opportunity elements have been developed. The implementation stage must be carefully thought through and designed. The actual implementation process or model is up to the entrepreneur(s) and participants. A collaborative deliberation may reveal unnecessary risks or the idea is just simply unworkable, and quite possibly may have to be abandoned. Implementation is also where the knowledge, innovation, and opportunity are realized.

Addressing risk culture through risk reduction

One of the elements of entrepreneurship in both the public and private (business) literature is risk taking. One could not be described as an entrepreneur without risk. We can step back to argue that all decisions come with some level of risk. This is why risk is an underlying issue for the four stages of the framework. In the public sector, we have to accept that uncertainty generates risk. We should also respond to the critique of unnecessary or unethical risk, as well as the paradox created by risk aversion in decision making, by accepting risk but seeking every reasonable way to responsibly reduce risk. It is simply foolish (and unethical) to risk public funds (and trust) without acknowledging and seeking to offset potential consequences.

Bozeman and Kingsley (1998) “define risk culture in terms of the perception that co-workers and top managers take risks and promote risk-taking” (p. 110). In their study,
indicators to impact risk were identified, with the argument that higher levels point to the organization being more risk averse:

- goal ambiguity;
- organizational structure/hierarchy;
- organizational culture;
- media and public scrutiny;
- bureaucratic density;
- elected and appointed officials input;
- rules and procedures;
- how performance is measured; and
- legal mandates (pp. 112-144).

Governance as collaboration is also linked to risk management. Halachmi (2005) argues that in, “governing, the authorities can force all entities to manage risk using its regulatory powers” but, “under governance, the authorities must find other ways to induce risk management by other means to preserve the advantage of governance over governing” (p. 308). Performance measures have become critical to accountability, and in turn, strategic management. This is also an outgrowth of the movement toward more collaboration. A recent United States Government Accountability Office report said that “federal agencies can use their strategic and annual performance plans as tools to drive collaboration with other agencies and other partners and establish complementary goals and strategies for achieving results” (Mihm, 2012, p. 12).

Berman and West (1998) assure us that “risk-taking and ethics are compatible” (p. 351). For this proposed framework to take shape the author argues for building in additional safeguards into the implementation process – the place where most of the work will be done and the public actually served. The author has selected recommendations made by Berman and West (1998) for responsible risk reduction. They have prescribed six simple steps toward responsible risk reduction:

1. determine which need or problem should be addressed;
2. identify preliminary approaches that might be pursued, clarify authority and resources;
3. seek advice from authoritative sources on best practices and legal and ethical ramifications;
4. solicit input from stakeholders to improve managerial understanding, increase stakeholder commitment and cooperation for implementation;
5. evaluate proposed courses of actions against standards of ethics and law, efficiency, equity, effectiveness, and accountability; and
6. communicate and test final actions with stakeholders/experts (Berman and West, 1998, p. 347).

This list is the author’s suggested path to address risk. Other approaches for risk reduction may be substituted for preference, similar to varied ethical, cultural, and value models. If for no other reasons than the simplicity and flexibility offered, Henry (2013) reminds us that it is our decision to select, “a method that public administrators judge to be the most appropriate for delivering or implementing a particular public program” (p. 357). Each situation may vary. The point here is that a valid and practically applicable approach to responsible risk reduction...
be included in the implementation phase of the framework. What does not vary is the insistence on acknowledging the importance of risk to public entrepreneurship and to take conscious steps not to avoid it completely, rather to responsibly reduce risk.

Bowman (1980) offered advice from the private sector perspective that, “good management and an effective board of directors can address and cope with risk and variation” (p. 27). Cohen et al. (2009) are “convinced that entrepreneurship in government is needed, frequently demanded and can be ethical” (p. 2). Frederickson (1993) argues that in government adopting more private sector practices, that ethics must be paramount to avoid the excesses allowed by business practice and to recognize the distinct differences between public and private.

To address risk aversion, the organization has to foster a culture of managed risk and understanding mistakes will be made (Osborne and Plastrik, 1997). Easier said than done? Risk can be managed through adhering to an ethical decision making process. How do we get there? Lewis and Gilman (2005) steer us in the right direction by recommending that “ethical decision makers, sensitive to ethical concerns, aim at good decision making” and point out that “management without ethics is purposeless or worse, impractical public management is doomed to failure” (p. 64). It may help to understand risk taking in the context of public entrepreneurship. The Berman and West (1998) notion of responsible risk taking and reduction is critical to proposed framework to address the critiques of public entrepreneurship. It is essential that we reconcile the critiques to enhance legitimacy in public entrepreneurship.

**Applying the entrepreneurial governance framework in the practice**

John Stuart Mill (1848) described the two types of government intervention as “authoritative” or the ability of government to interdict directly in preventing persons from doing “certain things” or that of “providing advice and promulgating assistance” (p. 942) to its citizens. The author views this as two major “streams” of public service where the practice can benefit, that is: the government’s role in the economy (and society), as well as the how government carries out its policies. In this regard, Waldo (1980) reminds us this is nothing new and that American Government has been actively involved in the economy since the beginning of the republic. We can also argue that the second stream of how government carries out its policies can be traced back to the origins of government.

Therefore, we will consider that the two main streams of activity and study tend to be along the lines of government intervention in the economy and administrative practices. To describe direct public intervention in the economy, Gilbert et al. (2004) say, “U.S. government policy evolved into a triad of public policy instruments to control big business – regulation, antitrust, and public ownership” (p. 314). Public intervention is also used to create private entrepreneurial opportunities. Administrative practices of government can be sub-divided into public services being provided by another public entity, private, non-profit, or combination of those, as well as the public sector adoption of business practices.

The streams are not restricted to the federal government, as these types of activities are present at all levels of the public sector. Government has always had a contractual relationship with the private sector to purchase goods and services used to carry out public obligations, ranging from pencils to aircraft carriers. A more recent phenomenon, like enterprise funds used in local government, is public services set up to behave like business entities. While public entrepreneurship could be applicable to the traditional contractual relationship and enterprise fund type activities, the intent here is to recommend practitioners apply the framework for instances of government intervention and administrative practices.

Initially, one may think that public entrepreneurship only applies to administrative practices. Not so, because Audretsch et al. (2007) make the claim “that entrepreneurship has
emerged as a bona fide focus of public policy, particularly with respect to economic growth and employment creation” (p. 1). Public entrepreneurship is also suitable for economic intervention. Klein et al. (2010) concur, saying “public bodies are also becoming more active in shaping private innovation toward particular national and international objectives” (p. 1). Government can elect to directly participate to improve the economy by providing venture capital to private entities, improving infrastructure, or writing tax policy that favors business and private investment (Motoyama and Wiens, 2015; Brown et al., 2014; Lerner, 2014; Shane, 2008; Gilbert et al., 2004). This type of direct intervention in the economy, such as recently evidenced by the 2009 Troubled Asset Relief Program in response to the 2008 fiscal downturn, exists at every level of government.

It is among the two streams of government activity that numerous prospects for applying the framework and additional research reside. A public entrepreneur can apply the framework to demonstration and seed projects, experimental programs, incremental ideas, through grants and others. Local government can act, as it has for decades, as the laboratory (which by the way is where many failures and successes occur). At what level can the entrepreneurial governance framework be applied? Individuals, groups, teams, coalitions, agencies, multiple agencies, and many more, as well as at the local, city, county, state, special district, regional, or federal levels can experiment. Ideas can encompass practices, policies, procedures, and programs.

Cohen et al. (2013) note that “the argument for public entrepreneurship […] is that the issues faced by public organizations are growing in scope and complexity and that creative agile managers and organizations are needed to address those issues” (p. 265). The reinvention movement and new public management have substantively changed the way government operates (Johnson, 2014; Geuras and Garofalo, 2011; Mintrom and Norman, 2009). Johnson (2014) goes on to observe that “state and local governments are thus more likely to adopt the principles of new public management and reinvention, given their many direct service responsibilities” (p. 131). We cannot overlook the importance of culture too for organizations that do not change or adapt through a zero defects mentality. Osborne and Plastrik (1997) discuss as a strategy the transition of entrepreneurial practice to a culture in the organization, as well the necessity to create opportunities for employees to be empowered to be innovative. Once the culture can shift, the ground for entrepreneurial governance is fertile. Where? Johnson (2014) expresses the view that “agencies that serve citizens directly – whether low income families, school pupils, or people with disabilities – are most likely to develop an entrepreneurial culture that stimulates healthy innovation” (p. 130).

Bernie and Hafsi (2007) lay the responsibility for risk reduction and fostering an entrepreneurial culture on the organization’s top managers. In two different studies, Barry Bozeman and co-authors (Bozeman and Kingsley, 1998; Cheng and Bozeman, 2012) argued risk from the public organizational perspective and offered clear advice for managing it:

- “[...] if we have knowledge of perceptions of top managers’ risk behavior we have insight into the perceptions of acceptable behavior concerning risk (Bozeman and Kingsley, 1998, p. 111).”
- “Risk taking requires some considerable level of discretion and an ability to approach decisions unencumbered by rigid structures and inflexible procedures (Bozeman and Kingsley, 1998, p. 112).”
- “[...] for a risk-oriented culture to thrive it must be nurtured by clear communications concerning the purpose, goals, and tasks to be pursued (Bozeman and Kingsley, 1998, p. 115).”
- “Enhancing risk-taking is a cornerstone of public management reform efforts, especially reform prescriptions under the heading of ‘new public management’ (Cheng and Bozeman, 2012, p. 378).”
that a more dynamic public management must at least encourage managers to consider new alternatives and to contemplate well considered risks (Cheng and Bozeman, 2012, p. 378)."

Cohen et al. (2013) tell us that "in short, effective public management requires risk taking, entrepreneurial public managers" (p. 265). Arboleda et al. (2009) argue "there is no one best way to foster entrepreneurship: it requires practical, targeted strategies, based on an understanding of the specific conditions faced by entrepreneurs in a particular area or region" (p. 3). Cohen et al. (2009) argue that in the Reinventing Government movement "it is possible to improve the performance of the public sector through creativity, better management, and reforms in organizations and incentives designed to bring out the best, in terms of effort and capability, of public officials" (p. 3).

Conclusion: failure is an option (success is too!)
Can entrepreneurship work with accountability and the new public management? In a word: “Yes.” We cannot overlook the aspects of new public management in our quest to be entrepreneurs – in fact, a carefully designed implementation should bring new public management in line with entrepreneurship to help form entrepreneurial governance. How do we minimize mistakes and failure in the public sector, especially under the continuous glare of an unforgiving media and avoid becoming political cannon fodder or an object of public ridicule? That question is a bit more difficult to answer. Sometimes, it simply cannot be helped. However, we have to try. It is absolutely essential to reconciling new public management with entrepreneurship and responsibly moving toward the notion that “failure is an option,” which cannot overlook that “success” is the preferred option.

Practitioners should have guidance with more clarity beyond the catch phrases and lingo. Governing can become governance with collaborative effort across the framework. Public entrepreneurship can be broadened toward a framework of entrepreneurial governance. This framework is a linear path one must take through all of the elements of entrepreneurship: knowledge, innovation, opportunity, and implementation. It is in acknowledging risk throughout that we can address the critiques of public entrepreneurship with responsible risk reduction through ethical decision making.

In public administration, we will continue to hear the hue and cry from various quarters to run government like a business. While this may cause some consternation, elected officials (and candidates for office), practitioners, and at least some academics continue to embrace it. We can and should run government like a government. In doing so, there must be a reconciliation process for public entrepreneurship by taking action to improve the delivery of services, reduce associated costs, improve practices, and enhance efficiency, effectiveness, economy, and equity. Within a reasonable context, risk is associated with success and failure. While success is the preferred option, we have to acknowledge that failure is an option too. As noted in the beginning of this paper, “An idea untried will always fail.”

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Further reading

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