

Facing Newness and Smallness: A Multiple Case Study of Nonprofits Creating Schools

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This paper utilizes the literature on liability of newness and smallness to examine new nonprofit school venture creation and explore what challenges new school ventures face. We ask the following research questions: What challenges and obstacles do new nonprofit school ventures face? How do new nonprofit school ventures manage to maneuver, mitigate, or overcome these challenges and obstacles? To answer these questions, we conducted a comparative case study of three nonprofit organizations operating schools in Sweden. Our material consisted of semi-structured interviews and archival documents. The article illuminates two salient challenges for new school ventures: the need for legitimacy from a diverse set of stakeholders and the marshalling of sufficient resources. To cope with these challenges, the organizations combined an outward conformist strategy with an inward resource replacement strategy. Moreover, even though all ventures experienced obstacles, the character and magnitude of these obstacles differed depending on their mode of emergence.

Keywords: Nonprofit Schools, Education Entrepreneurship, Liability of Newness, Liability of Smallness, Sweden

Introduction

Education represents one of the largest domains of nonprofit activity around the world, “on average outpacing every other type of nonprofit employment” (Bromley et al., 2018, p. 527). Nevertheless, in elementary and secondary education, public institutions generally remain the dominant provider in almost all Western countries. Because an educated population is essential to building and improving society, public schools have remained a fundamental instrument to ensure that all children obtain access to education. However, some countries, such as Chile, the United States, and Sweden, have elected to implement policies that allow for educational providers beyond public schools at the elementary and secondary levels. A central mechanism of these policies has been the so-called school vouchers, which provide parents with the option to send their children to a school—public, nonprofit, or for-profit—using all or part of the public funding set aside for their children’s education. Thus, two principal ideas for implementing a voucher-based school system include (i) encouraging and ensuring greater plurality in education delivery from alternate actors, including nonprofit actors, and (ii) stimulating educational entrepreneurs to launch new nonprofit (or for-profit) school ventures (Blix & Jordahl, 2021).

Propagating and cultivating new nonprofit schools within these voucher systems have, however, been far from smooth (Levin, 2011). Indeed, empirical research focusing on new

nonprofit voucher schools in the United States has illustrated how regulations and entry barriers can impede nonprofit school entry and that the majority of those attempting to do not survive the startup phase (Andersson & Ford, 2017). These results have compelled even the starkest advocates of greater educational plurality and new school entrants to recognize that starting a new school can be a tremendously challenging undertaking and that failure is “an inseparable part” of the type of educational entrepreneurship associated with school voucher systems (Hess & McShane, 2016, p. 199).

Whereas prior scholarship has focused on new nonprofit school entry from a macro perspective, emphasizing features such as entry rates, policy design, and/or the role of civil society regimes (e.g., Andersson & Ford, 2017; Ford, 2015; Henrekson et al., 2020), there is a scarcity of research that has focused on new nonprofit school entrants from an organizational and operational perspective. Although external factors incontrovertibly play a significant role in shaping the environments in which nonprofit educational entrepreneurs operate, macro factors alone are insufficient to fully comprehend or capture the internal processes facilitating the entry process of new nonprofit school ventures. This article aims to examine new nonprofit school venture creation in the context of the Swedish voucher-based school choice system. Specifically, we ask the following questions:

1. What challenges and obstacles do new nonprofit school ventures face?
2. In what ways do new nonprofit school ventures manage to maneuver, mitigate, or overcome these challenges and obstacles?

Utilizing the literature on the liabilities facing new ventures (Aldrich & Auster, 1986; Stinchcombe, 1965) and the institutional strand of evolutionary organizational theory emphasizing the critical role of legitimacy (Suchman, 1995) as a point of departure, we conduct a comparative case study of three new nonprofit school ventures in Sweden. We draw on Smith and Petersen’s (2011) perspective of educational entrepreneurship as a type of organizing activity, where different types of actors attempt to create and launch new educational ventures. The ways that nonprofit schools emerge can differ depending on the type of actor that initiates projects to open new schools. Our three cases demonstrate different paths leading to the particular outcome of starting a new school venture: (i) the creation of a new nonprofit organization from scratch, (ii) the acquisition of already existing schools by an already existing nonprofit organization, and (iii) the creation of a new school venture within an existing nonprofit organization.

Examining new nonprofit school emergence is important for at least two reasons. First, the formation and entry of new nonprofit school ventures is not a uniform or homogenous event but a process that can look very different across different agents of education entrepreneurship. Thus, to unpack how civil society can facilitate plurality in school voucher systems, we must begin to better understand how new nonprofit school ventures emerge. Second, previous research has pointed to the liability of newness (Stinchcombe, 1965) as a major contributing factor to the failure of nonprofit school ventures (Ford & Andersson, 2019); however, little is known about how the liability of newness specifically affects new nonprofit school ventures or how those seeking to launch such ventures attempt to overcome these liabilities. While the liability-of-newness perspective offers a powerful lens for explicating the failure of new school ventures, it is equally essential to examine how new nonprofit schools can maneuver the type of operational and organizational challenges associated with the liability of newness and increase the legitimacy of the organizing effort to survive and thrive.

The Swedish Educational Context

Starting in the late 1980s, the Swedish national school system underwent a series of reforms that radically remodeled and reconfigured it from one of the most centralized and tightly

controlled educational systems in the world to one where decision making, funding, and control were significantly more decentralized (Lundahl, 2005). In the early 1990s, Sweden implemented a school voucher system that allowed privately operated schools to compete on an equal financial basis with public schools for students (Blomqvist, 2004). One of the principal objectives of this voucher-based school system was to encourage and ensure greater pluralism in the provision of education by enabling parental choice and incentivizing new school entry (West, 2017). This education entrepreneurship component was heavily advocated for by scholars and policy makers in Sweden, who envisioned an amplified and diverse school market consisting of a variety of independent¹ school ventures, including business enterprises, charitable organizations, cooperatives, and associations (Werne, 2018).

Since the implementation of the voucher system, the number of students enrolled in independent schools has increased significantly. For example, in 1999, less than 5% of high school students and approximately 3.5% of elementary school students were enrolled in an independent school. Two decades later, those numbers had grown to 28% and 14%, respectively, with three-quarters of independent school students attending a for-profit school (Henrekson et al., 2020).

Sweden, with its universal coverage, is in many respects the home of the most extensive and well-established voucher program in the world. Furthermore, given the few restrictions on who is allowed to own and manage an independent school, Sweden offers a fitting context for exploring educational entrepreneurship (Blix & Jordahl, 2021). Thus, we view the Swedish voucher program environment as particularly apt for examining the type of how-question(s) posed in this article. Interestingly, even though Sweden is ranked as having one of the most enabling philanthropic environments globally (Indiana University Lilly Family School of Philanthropy, 2022), the entry of new nonprofit schools has not been a major factor contributing to the growth of the Swedish independent school sector. Instead, most independent elementary and secondary school students have attended new, for-profit schools (Henrekson et al., 2020). Hence, despite the desire and intention among policy makers to create a more pluralistic, independent Swedish school sector and despite the low barriers to new school entry, relatively few new nonprofit schools have been founded over the past three decades. This, in turn, can be viewed as a sign that the liabilities facing new nonprofit schools are particularly potent issues and thus merit attention.

The Liabilities of New Ventures

The struggles facing new ventures have long intrigued scholars, expressed by notions such as the liability of newness and the liability of smallness (Aldrich & Auster, 1986; Stinchcombe, 1965) and by emphasizing actions aimed at increasing the legitimacy of the organizing effort (Suchman, 1995). Here, we use these perspectives to capture several key features of the venturing process, which provide a basis for comparisons across the three school ventures examined.

Stinchcombe (1965) introduced the *liability-of-newness* concept to describe the precarious reality of new organizations. He (1965) identified four intricate, and interlinked, *liabilities of newness* impacting the viability and, ultimately, survival chances of emerging and new ventures. First, new organizations, especially new types of organizations, need to determine and develop from scratch new roles that new employees must learn and be socialized. Second, as the process of inventing new roles unfolds, “[...] the determination of their mutual relations and of structuring the field of rewards and sanctions so as to get the maximum performance, have high costs in time, worry, conflict, and temporary inefficiency.” Third, since the people hired to work for new organizations often do not know each other beforehand or have previous experiences working together, new organizations need to build trust among strangers to create an efficient work environment. Fourth, Stinchcombe (1965) claimed that “one of the main

resources of old organizations is a set of stable ties to those who use organizational services.” Consequently, to be successful, new organizations must cultivate and develop new ties with potential stakeholders, such as users/beneficiaries of their services (pp. 148–150).

The liability-of-newness construct has long enticed organizational researchers (e.g., Carroll & Delacroix, 1982), including nonprofit scholars (e.g., Bielefeld, 1994), and the influence of Stinchcombe’s ideas is difficult to refute, as evidenced by many review articles (e.g., Abatecola et al., 2012). As researchers have begun to empirically explore the liability-of-newness phenomenon, the size of new ventures has come to the fore. Freeman et al. (1983), for example, were able to show how increasing the size of an organization can mitigate the liability of newness. Even if most new ventures tend to be small, Aldrich and Auster (1986) observed how some new organizations “have parent companies that provide for them financially, whereas others are fortunate and find substantial backing from investors and relatives” (p. 181). This, in turn, prompted Aldrich and Auster to recognize the influence of what they refer to as the *liability-of-smallness*, which includes the lack of financial resources and a disadvantage in raising capital from creditors and investors; unfavorable tax laws; difficulty handling the administrative workload and overhead expenses related to regulatory compliance; and difficulty attracting a skilled workforce. Others have observed how smaller organizations tend to have higher production costs and are less able to diversify their risks (e.g., Wholey et al., 1992).

An important complement to the liabilities perspective comes from the institutional theoretic strand of evolutionary organizational theory calling attention to the role of *legitimacy*. According to this perspective, new ventures struggle due to their lack of legitimacy (Suchman, 1995; Wievel & Hunter, 1985). Because new ventures may not appear as accountable and reliable as existing ones, they need to create the external perception that they are legitimate to garner support and survive in the competition with already established organizations.

Combining the above perspectives effectively frames many of the key challenges that new nonprofit ventures must address, thus providing a lens for comprehending why it is difficult for such new nonprofit ventures to establish themselves. These challenges can be condensed into two key features. The first feature has to do with challenges *internal* to the organization, such as creating, organizing, and maintaining a stable organizational infrastructure and routines for the new venture. This not only includes securing physical assets, such as buildings, equipment, and inventory, but also how to secure and organize the human resources and administrative systems necessary to propel and govern the new venture. Prior studies have suggested that these undertakings, including developing organizational structures and functions to help facilitate and resolve communication and coordination challenges, can be slow and challenging in new nonprofits (Andersson, 2016; Bess, 1998). The second involves linkages to the *external* environment, including to key stakeholders, such as beneficiaries (e.g., parents and students), resource providers (e.g., donors, foundations, or government bodies), and volunteers. As noted earlier, by being new to the game, new nonprofit ventures face serious legitimacy hurdles, making it difficult to marshal resources, trust, and commitment from external stakeholders (Wievel & Hunter, 1985). Singh et al. (1986) investigated voluntary social service organizations in Canada and showed that external legitimacy plays a vital role in the initial success of organizations. Likewise, a study by Hager et al. (2004) found that linkages to the external environment, as reflected by a reliance on volunteers and donated income, reduce the risk of organizational failure. Thus, gaining legitimacy is essential for new nonprofit ventures seeking to attract and secure external funding and be a magnet for beneficiaries and volunteers.

In this study, we follow Suchman’s (1995) definition of legitimacy as “a generalized perception [...] that the actions of an entity are desirable, proper or appropriate within some socially constructed system” (p. 574). Suchman (1995) further noted that there are different forms of legitimacy (pragmatic, moral, and cognitive) and different paths for organizations to take to

gain legitimacy through conformity, environmental selection, or manipulation. Previous research combining liability of newness and smallness with theories pertaining to organizational legitimacy has commonly employed a quantitative empirical approach (see Hager et al., 2004; Singh et al., 1986). As a result, these studies have been unable to properly distinguish between the separate but interrelated processes through which organizations gain legitimacy from different types of stakeholders and the interaction between internal organizational processes and external legitimacy accretion.

In summary, even if the implementation of a school voucher system is intended to stimulate new entrants to a nonprofit school venture, the process of concretizing the idea of a new social venture into something tangible is a complex and challenging undertaking (Edenfield & Andersson, 2018). Given that this study aims to better understand new nonprofit venture creation at the elementary and secondary school levels in Sweden, we deem that the two liability perspectives combined with external legitimacy are highly useful to illuminate and contextualize the undertakings of the three ventures examined.

Method and Empirical Data

A Multiple Case Study Approach

Our methodological approach drew on the multiple case study approach to conducting research. According to Eisenhardt and Graebner (2007), the multiple case study approach “typically answers research questions that address ‘how’ and ‘why’ in unexplored research areas particularly well” (pp. 26–27). Moreover, the case study approach is particularly appropriate when the empirical inquiry studies a complex phenomenon in a real-life context where the boundaries between the phenomenon and context are not clear (Yin, 1981). Therefore, given that this study aims to examine startup issues encountered by nonprofit school ventures and how they seek to maneuver and mitigate these issues in the context of the Swedish school system, we deemed the multiple case study approach to be highly suitable.

The central notion of research using the multiple case study approach is to use cases as the basis for developing new perspectives and understandings, and possibly even new theories. According to Eisenhardt and Graebner (2007), using multiple cases is effective because they enable the collection of comparative data and permit a replication logic, as each case can be viewed as a “distinct experiment that stands on its own as an analytic unit” (p. 25). By contrasting and extending findings from the different cases, scholars can confirm or disconfirm emerging conceptual insights and perspectives.

Ultimately, we selected the multiple case study approach because it supports the illustration of essential processes about important phenomena that are grounded by comparative empirical data—in this case, focusing on new nonprofit venture creation.

Case Selection and Introduction

Following the approach typically taken in designing research using the multiple case study approach, our paper relies on theoretical sampling. We selected three Swedish nonprofit organizations operating schools, each representing a unique mode of emergence leading to the creation of new schools. The selected organizations also differ in terms of size and age. The organizations are a long-standing Christian charity organization (Organization A), a youth culture organization running various projects for young people (Organization B), and a Muslim organization focusing on the integration of immigrant children (Organization C).

Table 1 provides an overview of the three organizations. To ensure anonymity, we concealed the names of the organizations.

Table 1. Description of the Organizations

Name	Mode of Emergence	Focus Solely on Education	Age	No. of Schools	No. of Students	Key Informants Interviewed
Organization A	Acquired six high schools from a bankrupt for-profit company group in 2013. A separate foundation was set up for the school-related activities.	No	1856	6	2,540	CEO Chairman of Board School Principal
Organization B	The schools are run within the same organization as the other organizational projects.	No	1984	3	1,270	CEO Chairman of Board School Principal School Principal
Organization C	Grass-root project initiated by parents and other engaged individuals.	Yes	1995	1	100	Founder/CEO/ Chairman of Board School Principal

Data Collection

Case studies can accommodate a rich variety of data sources, including interviews, archival material, surveys, and direct observations. We predominantly used interview data from nine key informants from three key positions within the hierarchical chain of command of the organizations: chairman of the board, CEO, and school principal (see Table 1). We complemented the interviews with archival material consisting of annual reports, strategy plans, regulatory documents, and mission statements. We conducted interviews with key informants, as they represent an efficient way to gather rich, empirical data when the phenomenon of interest is a process that cannot easily be assessed or captured by other forms of data, and we wanted to obtain insights into and perspectives on the new venture process from diverse perspectives. A semi-structured interview was conducted with each informant. The organizations were approached via email, and an initial meeting was set up with the CEO. During this meeting, potential interviewees were identified. The length of the interviews ranged from one hour to one and a half hours. All interviews were tape-recorded and transcribed verbatim.

The interviews consisted of three sections. First, background questions were asked about the organizations, the informants themselves, and their positions within the organization. Second, questions were asked about the process to open the schools, including how the projects were first initiated, the motivation behind establishing the schools, the different types of challenges that the organizations experienced, and how the projects were financed. Third, inquiries were

made about the daily operations of the schools, including questions concerning school governance, funding strategies, and the school's relationships with authorities. The semi-structured nature of the interviews allowed the interview guide to be supplemented with questions that seemed fruitful to pursue during the interviews. Both authors were present during all of the interviews. Immediately after the interviews, we cross-checked facts and impressions.

Data Analysis

As a first step in the data analysis process, we wrote individual case histories using the interview data and archival data from each organization (Eisenhardt, 1989). The case histories provided an important first impression and general overview of the extensive data collected. There was strong agreement over several identified liabilities and challenges among the respondents for each case. However, in each case, the different informants appeared to approach our questions with a slightly different focus. For example, in interviews with the chairmen and the CEOs, the foci were more on motives and strategic decision making, whereas the interviews with the principals focused more on daily operations. As a second step, we carried out a cross-case analysis, looking for similar themes across the cases but also noting important differences in the experience of establishing and running schools. To compare several possible themes across the three cases, we organized the data into tables (Miles & Huberman, 1994).

Then, we revisited previous findings from the liabilities and new venture legitimation literature and compared this extant literature with our empirical findings. We examined key features of the founding and operation of the schools in relation to the concepts identified in the theoretical section: accessing internal and external resources, cultivating ties to new users (students), establishing external legitimacy, hiring skilled employees, developing trust, and building complex organizational structures and processes. This examination enabled us to compare and contrast the experiences, challenges, and liabilities of the three organizations in the process of starting and operating nonprofit schools. Thus, the analytical process occurred via recursive cycling among the case data, emerging theory, and extant literature (Eisenhardt & Graebner, 2007).

The Process of Establishing and Operating a New Nonprofit School

In this section, we present our results. We describe and discuss various aspects of starting and running a nonprofit school organized around the themes identified by the data analysis.

Initial Funding of the New Venture

The initial cost of setting up a complex welfare service such as a school is high (Lewis, 2017). Premises and equipment must be acquired, and salaries must be paid to the people involved. Therefore, actors entering the Swedish voucher sector need to expend considerable amounts before they receive any voucher revenue. Out of the three school venture projects in our study, two had financial backing from parent organizations, and one had no such support.

For the two larger organizations, A and B, excess capital could be transferred from other projects within the organization to the school venture projects. Organization A issued a loan for the school's foundation to acquire the six high schools and to establish a backup fund for the first few years of operations. Organization C had almost no money when starting its school. Most of the work, including filling out applications and organizing for the start of the school, was done by volunteers. Costs were kept to a minimum; however, some funding was still required before the school could start receiving voucher revenue. According to the founder:

If I remember it correctly, we collected money among the parents for the first month's rent and the acquisition of the school bus so that we could collect students from a larger area. (CEO and founder, Organization C)

By making this statement, the founder showed how tight the budget was before public funding was received and the active engagement of the parents in the project.

In sum, following the literature on the liability of smallness (Aldrich & Auster, 1986), we found that the smaller Muslim school had a relative disadvantage in raising enough capital for the new venture. Funding a new venture is difficult for small organizations in general and especially when the new venture is as complicated and costly as a new school.

Voucher Payments and a Lack of Philanthropic Funding

As pointed out by Lurz and Kreutzer (2017), the products and services provided by nonprofit organizations are typically not paid for by the receivers but by third parties, such as the state or organizational or individual donors. This is certainly the case regarding the Swedish school voucher system since schools are prohibited by law from collecting tuition fees. All three organizations claim that the funding of the schools' day-to-day operations consists entirely of voucher revenue from the municipality or the central government in the form of additional grants or targeted contributions. The only exception is one of the schools operated by Organization B that still receives additional funding from the parent organization. That school is in a suburban, low-income area, and the steering group was well aware that starting a school in that particular area would entail new types of problems and challenges.

Even though it might seem straightforward in theory, the Swedish funding scheme for independent schools is rather complicated. The voucher amounts differ between municipalities, and schools can be eligible for additional state grants for several reasons, such as enrolling students with special needs (The Education Act, 2010). As a result, all organizations reported spending much time and energy trying to optimize their public funding. This includes both filling in grant applications to the central government and ensuring that they attract enough profitable students (see the section on 'attracting students'). By running several schools, Organization A and B can take advantage of economies of scale since administrative costs (such as applying for grants) can be shared among the schools.

In a social democratic welfare state such as the Swedish one, large public sector spending on social welfare and education has been considered to crowd out private donations (Vamstad & von Essen, 2013). Thus, philanthropy in Sweden has traditionally been directed toward causes not considered the responsibility of the public sector. In line with this, none of the organizations in this study received any monetary philanthropic funding directly aimed at their school ventures, except for the small donations from the parents that were given initially to Organization C. However, the interviewees had slightly different views regarding the possibility of receiving philanthropic donations in the future. In regard to their Muslim orientation, the principal at Organization C's school claimed that the issue of philanthropic funding was potentially problematic for them:

The reason we cannot do it [raise philanthropic funding] in our case is that it is so sensitive. Where does the money come from? How do the people who sent the money feel about different school-related issues in relation to the curriculum? Therefore, the question of whether we should be raising

philanthropic capital has never even been brought up. (Principal, Organization C)

In other words, because of the Muslim orientation, receiving donations could damage the perceived legitimacy of the school since it would raise questions regarding whether the donors wished to exert influence on how the school is managed.

None of the interviewed representatives from Organizations A and B perceived the potential of receiving philanthropic donations as problematic. At the same time, none of them believed that it would be possible to raise donations for the daily operations of the schools since Swedish donors are of the general opinion that the funding of schools is the responsibility of the municipalities. However, even if no such attempts had been made, it was believed that it would be possible to raise money for specific projects or to acquire school buildings.

Attracting New Students

As pointed out by the liability-of-newness literature, one crucial task for new organizations is to cultivate ties to new users of their services. Two different aspects concerning strategic decision making on student enrollment are discussed: attracting students in general and attracting the 'right' students.

Two schools in our study, Organization C's school and Organization B's school in the suburban area, struggled to convince enough students to enroll to be economically viable. As one informant pointed out, having 30 students in a class requires approximately an equal amount of work as having 25 students, but the organization receives 20% more funding. Currently, Organization B's suburban school has only 40 total students spread out over three grades (grades 7–9). Last year, only five new students started in seventh grade, and the school was subsequently forced to integrate the seventh and eighth grades. The fact that the school is in an ethnically diverse, low-income area was identified by the interviewees as part of the problem. According to the chairman of the board, the more resourceful families living in the area generally enroll their students in schools in wealthier and less crime-ridden parts of Stockholm, thus shrinking the pool of potential students. Moreover, Organization's B brand is not as well established among immigrant families as in other groups in society.

Organization C struggled with a low student count for many years. In 2005, when the school had been in operation for ten years, it still had only 21 students. The current lower limit for running a school in Sweden is 20 students. One reason for the limited enrollment mentioned by the interviewees is that a similar school, but with a more pronounced religious profile and explicit ties to the local mosque, opened in the same area one year after the founding of Organization C's school. Competition between the schools was inevitable. Today, the school is still small; however, according to the informants, it has enough students to at least be financially viable.

Since Organization A acquired already existing schools with a student body of approximately 2,300 'included in the purchase,' its experience differed from that of the other two organizations. One reason for the bankruptcy of the previous owner was decreasing student numbers, mainly because of smaller cohorts of high school students. This development continued after the acquisition, and Organization A faced minor financial difficulties before the number of students increased. However, the chairman of the board expressed another interesting dilemma that the organization had grappled with at some of the schools, namely, that the students it attracted were too 'good' in relation to its mission to prevent individuals from becoming unemployed and being socially excluded by educating students from vulnerable groups. The chairman of the board explained:

We cannot choose our students [...] And the better we do our job of educating the students, the better are the students that apply to the schools and the more difficult it is for us to enroll the kind of students that we wish to have. Therefore, for every improvement we make, we shoot ourselves in the foot [...] We are stuck. It is an impossible situation
(Chairman of the Board, Organization A).

That is, Organization A aims to reach vulnerable students, students experiencing difficulties in school, immigrant students with insufficient language skills, and students with special needs. However, the design of the voucher scheme makes it difficult for these students to gain entrance to some of Organization A's schools. On the other hand, Organization A also acknowledged that a school with only those kinds of students would not be well functioning; therefore, the ideal is a mix of students from different backgrounds and qualifications. According to the chairman of the board, Organization A strives to collect a surplus from well-functioning students and then use that surplus as extra support for students facing various challenges.

A school in central Stockholm run by Organization B has a similar vision of achieving a mixed student body of both high-performing students and students experiencing difficulties in school, as well as students from different municipalities and types of areas in the greater Stockholm region. However, to break even, the organization calculated that it needs at least 75–80% of the student body coming from Stockholm, which has the highest voucher payments. By administering an entrance exam for admission to the school's five different extracurricular programs (basketball, aesthetics and art, dance, skateboarding, and training and health), Organization B gains greater control over which students they admit. This way, they can ensure that enough students from areas with high voucher payments are enrolled.

The Right Person in the Right Place

Hiring skilled employees, socializing them into their respective roles, and cultivating trust both vertically and horizontally in the organization are factors described by Stinchcombe (1965) as crucial for the success of new ventures. Having discussed organizational decision making regarding students, we now turn to the employees working in the organizations under review. As is shown, having skilled employees is also important for the perceived legitimacy of schools in the eyes of public authorities.

Organizations A and C reported having problems when initially starting and running schools because individuals holding key positions had insufficient knowledge about the school sector. These problems were reportedly resolved after these key persons either had been exchanged or had acquired school sector know-how. The founder of Organization C described the process to start the school as very difficult. They had to rewrite the application ten to fifteen times before it was approved by the authorities. Finding a building for the school was also difficult, and the initial building was ill-suited for hosting a school. The school had to move eleven times before it found its current, long-term solution in cooperation with the municipality.

The first decade of the existence of Organization C's school was characterized by uncertainty, resistance from public authorities, and scrutiny from the media. The Swedish School Inspectorate wanted to close the school in the late 1990s because of signs of ill management, rumors about violent teachers, and illegal confessional elements in its teachings. The school won its court case against the School Inspectorate and was allowed to remain open. The school was also featured in a TV documentary about Muslim schools in Sweden that presented a harsh critique of its operations. According to the founder and former school principal, the

situation started to turn around after he attended a headmaster training university program in 2002. During the program, he realized that what is important is knowing

how to be integrated into the school world—that is what makes all of the difference. You need to be educated and have experience. You simply have to think in the same way as the public authorities. You have to speak the same language (CEO and founder, Organization C).

Both the founder and the current headmaster claimed that they now feel much more trusted by government agencies such as the Swedish School Inspectorate. Over the years since the fight in court, the school has proven itself during various inspections and is now considered one among many independent schools.

Organization A also had problems at the beginning related to the person in charge not knowing what to do and not do in the school world. The CEO of the parent organization was appointed the CEO of the school foundation after the acquisition of the six high schools. She and the chairman of the board started a recruitment process to find someone to manage the school foundation and be the immediate supervisor of the schools' principals. It took almost a year before the role was filled, and the person recruited did not do a good job. According to the former CEO, the failed recruit reflected her "inability to fully judge competence" in the school field. Once it had become clear that the recruit was not working out, the board of the school foundation revolted. The current chairman of the board was dismissed together with the newly recruited manager, and the former CEO was forced to resign from her position as CEO of the schools' foundation. A new manager was recruited who has solid experience in the school world.

Having employees with school sector 'know-how' is undoubtedly important when running a school. However, the organizations also emphasized the importance of having employees whose individual values align with the organizational values and reasons for running schools. The former CEO of Organization A described how the personal values of the principals were an important factor considered when the decision was made concerning what schools to acquire. Several of the representatives from Organization B expressed a similar view. One of the principals described the concept as each school having its melody, and its principals or teachers must be in tune with the melody of the school for which they work.

Discussion

We have examined the establishment and undertakings of three nonprofit school ventures in the context of the Swedish voucher-based school system. Utilizing the lens of the liabilities of newness and smallness, supplemented by an emphasis on external legitimacy, we highlighted several key challenges confronting the three school ventures and examined how these challenges were maneuvered, mitigated, or overcome. As earlier research suggested (Singh et al., 1986), we showed that the liability of newness does not apply uniformly to all organizations in a population by examining three different types of new nonprofit ventures (one created from scratch, one built through intrapreneurial efforts within an existing organization, and one created through the acquisition of already existing schools). Furthermore, we examined how the specific institutional context of the Swedish welfare state and the design of the voucher scheme impact the kinds of challenges that educational entrepreneurs face. Table 2 provides a summary of our findings and illustrates that, even though the three ventures experienced obstacles stressed in studies on the liabilities of newness and smallness, the features and magnitudes of these obstacles differed across the three cases.

Table 2. Summary of the Findings

Liability component	Organization A	Organization B	Organization C
Initial Funding	No (used internal resources)	No (used internal resources)	Yes (very tight budget)
Funding Day-to-Day Operations	Yes (dependent on maximizing public grants, no philanthropic funding)	Yes (dependent on maximizing public grants, no philanthropic funding; use internal resources)	Yes (dependent on maximizing public grants, no philanthropic funding)
Building Organizational Structure	No (separate foundation for the schools with an administration unit; opportunities for economies of scale)	No (the schools can share key administrative functions with the rest of the organization)	Yes (very small administration; hard to find suitable locales)
School Sector Know-How/Right Person for the Job	Yes (initial struggles because the CEO did not know how to operate a school successfully; considered important that the teachers share the mission and values of the organization)	No (considered important that the teachers share the mission and values of the organization)	Yes (initial struggles because the CEO/principal did not know how to operate a school successfully)
Legitimacy in the Eyes of the Public Authorities	No (well-known organization trusted by the authorities)	No (well-known organization trusted by the authorities)	Yes (initial troubles gaining the trust of the municipality / school authorities)
Attracting Students	Yes (hard to attract the right kind of students in relation to the mission)	Yes (hard to attract the right kind of students in relation to the mission; easy to attract students to the centrally located school since they are a well-known organization there; hard to attract students to the suburban school)	Yes (hard to attract enough students; initial competition with another Muslim school located close by)

In this section, we shift from a within-case focus to a cross-case perspective and seek to encapsulate how the three ventures were able to maneuver the different liabilities and what this suggests for future research.

Launching a new nonprofit school venture requires a certain amount of financial capital to initiate the new school's operations before it starts to receive public funding. Our study illustrates two paths to cope with this type of challenge. One path is via educational intrapreneurship, which is when an already existing nonprofit organization creates a new autonomous or semiautonomous school venture. Such school ventures can be supported by reallocating already existing resources, thus decreasing the need to secure such resources from external funders, which is very difficult for nonprofit organizations in the Swedish setting. Moreover, when a new school venture is grafted onto or emerges from an already established nonprofit organization, it can trade on the legitimacy of the older organization and, thus, has a path that allows it to maneuver around some of the uncertainty and liabilities facing school ventures created from scratch.

Although the liability-of-newness perspective recognizes the difficulty in assuring and enrolling *new* stakeholders, established organizations can, at least in theory, tap into a pool of preexisting stakeholders. While preexisting stakeholders may still need to be convinced about the legitimacy and worthiness of a new venture, it seems reasonable that this step is less cumbersome than enrolling brand-new stakeholders to support an emerging venture. Ford and Andersson (2019), for example, found that new, religious nonprofit voucher schools in Milwaukee were more likely to survive than were new, nonsectarian schools. One contributing factor, according to Ford and Andersson (2019) is that religious schools typically have vast and well-established networks of stakeholders and other types of resources available to them, which many nonsectarian schools lack.

The second path aligns closely with Baker and Nelson's (2005) notion of entrepreneurial bricolage, i.e., "making do by applying combinations of the resources at hand to new problems and opportunities" (p. 333). Bricolage implies a type of resource replacement strategy in which the entrepreneurial agent engaged in bricolage 'makes do' by regarding as potential resources what others might regard as inept or impractical. According to Baker and Nelson (2005), the flexibility inherent in bricolage allows entrepreneurs to test, and refuse, traditional limitations regarding what is an appropriate or useful resource for a given task. We regard all three organizations in our sample as engaging in entrepreneurial bricolage to some extent, not the least concerning the enrollment of different types of students. However, Organization C is without a doubt the most obvious showcase of entrepreneurial bricolage in our study. For example, the initial funding of its schools was achieved by an unorthodox pooling of resources, such as volunteer labor and private donations from parents.

The schools in our sample struggled in different ways with the enrollment of students by not attracting enough students, profitable students, or the right students in relation to their missions. In the scholarly literature on voucher schemes for welfare delivery, it has been pointed out that if providers receive the same fixed price per user and the cost of delivering a service differs systematically across users, incentives may arise for providers to cherry-pick the most profitable users—*cream skimming* (Bartlett & Le Grand, 1993). We found that the organizations in some instances had difficulties reconciling their missions to educate a certain type of student with the tight budget constraints of the voucher system and the mechanisms of choice in education. Consequently, the organizations are forced to cream skim to make ends meet.

At the same time, the organizations perform a type of 'reversed' cream skimming when trying to attract vulnerable students or students facing challenges, in line with their missions. That is, the enrollment of students is complicated by what is commonly referred to as 'the double bottom line' of nonprofit organizations, i.e., making ends meet and simultaneously providing a social impact (Young & Lecy, 2014). While not being able to attract enough students can be perceived as a consequence of the lack of legitimacy among certain groups of parents, attracting too good students in relation to the mission can be perceived as a problem of having

too much legitimacy among socioeconomically strong parents of high-performing children who then crowd out students experiencing challenges in school.

As was pointed out by Chambré and Fatt (2002), nonprofits that receive public funding are often subject to very complex and burdensome accountability requirements since government agencies need to demonstrate that taxpayer funds are being spent responsibly. Operating a nonprofit school in Sweden entails having to comply with the government regulations stipulated in the curriculum and school law, being subject to regular inspections by the Swedish School Inspectorate, and frequently filling out forms when applying for additional public funding.

As proposed by Aldrich and Auster (1986) and as evidenced by the experience of Organization C's school, small organizations often struggle to handle the administrative tasks and overhead expenses related to regulatory compliance because of insufficient funding. Moreover, the relationship between the government and Organization C also demonstrates how internal change processes can be closely related to external legitimacy. Not until leading figures in Organization C had learned the language and codes of government agencies and how to properly conform to behavioral requirements, standards, and expectations did the critique from the School Inspection become less harsh and the school manage to secure a stable location through cooperation with the municipality. The school also seemed to have had a disadvantage in the beginning because of its Muslim profile since that automatically created the perception that it was less trustworthy and should be viewed more suspiciously by the state. At the same time, it was important to the organizations in our sample that their schools did not become indistinguishable from public schools. The interviewees thought that a crucial justification for their schools' existence was the fact that they could offer something to their students that public schools could not.

Conclusion

This article examined the creation of new, nonprofit school ventures in the context of the Swedish voucher-based school choice system and depicted the challenges and obstacles faced by three distinctive school ventures and how these obstacles were maneuvered. Our results show that even though all ventures experienced challenges and obstacles, the character and magnitude of these obstacles differed depending on their mode of emergence. Specifically, the article illuminated two salient challenges for new school ventures: the need for legitimacy from a diverse set of stakeholders (e.g., families/parents and regulators) and the marshalling of sufficient resources for their initial startup phases and day-to-day activities. To cope with these challenges, the new ventures orchestrated approaches combining an outward conformist strategy to signal "[...] allegiance to the cultural order and to pose few challenges to established institutional logics" (Suchman, 1995, p. 587), with an inward resource replacement strategy that allowed these educational entrepreneurs to launch and nurture new school ventures despite apparent resource constraints.

Future research can further unpack the conformist element by exploring how new, nonprofit schools are able to obtain different types of legitimacy (e.g., pragmatic, moral, and cognitive) via this approach. Likewise, although entrepreneurial bricolage offers a way for resource-poor, new nonprofit ventures to take action and stay alive, future research would benefit from exploring the sustainability of this approach in the long term.

We end by noting some limitations of this study. The limited number of cases clearly limits the generalizability of our findings. Furthermore, there is a selection bias issue from all three ventures being 'survivors' of the entrepreneurship process, and the data collection for the study was performed after the schools had already been in operation for a few years, raising the risk that the informants' memories of the venture founding process might be distorted.

Consequently, future research would significantly benefit from including failed ventures as well as closely examining startup processes of new school ventures in real time.

Notes

1. We use the term independent schools (*fristående skolor*) to refer to nongovernmental for-profit and nonprofit schools that receive state funding through the voucher scheme.

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The author declares that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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