

# Social Entrepreneurship Through an Organizational Ecology Lens: Examining the Emergence and Evolution of the Voucher School Population in Milwaukee

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Published online: 8 April 2015

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**Abstract** The creation and introduction of new ideas and new organizations to address social challenges are central features in current social entrepreneurship research, and over the past two decades scholars have proposed a variety of approaches to understand and analyze these and other dimensions of social entrepreneurship. This article looks at social entrepreneurship from an ecological perspective and proposes that organizational ecology has much to offer this emerging field. Specifically, the article draws from a unique dataset on voucher schools in Milwaukee, Wisconsin to analyze the emergence as well as dynamics of this nonprofit population.

**Keywords** Social entrepreneurship · Organization ecology · Voucher schools

**Résumé** La création et l'introduction de nouvelles idées et de nouvelles organisations pour aborder les défis sociaux constituent les éléments centraux des recherches actuelles sur l'entrepreneuriat social, et les intellectuels ont proposé, au cours des deux dernières décennies, plusieurs approches pour comprendre et analyser ces dimensions de l'entrepreneuriat social, parmi d'autres. Cet article examine l'entrepreneuriat social du point de vue écologique et propose que l'écologie organisationnelle apporte davantage à ce domaine émergent. Plus précisément, l'article s'inspire d'un ensemble de données unique sur les écoles à chèques éducation à

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Milwaukee, dans le Wisconsin, pour analyser l'émergence ainsi que la dynamique de cette population du secteur à but non lucratif.

**Zusammenfassung** Die Entwicklung und Einführung neuer Ideen und neuer Organisationen, um soziale Probleme anzugehen, stehen in gegenwärtigen Forschungen zum sozialen Unternehmertum im Vordergrund, und in den vergangenen zwei Jahrzehnten haben Wissenschaftler eine Reihe von Ansätzen vorgeschlagen, um diese und andere Bereiche des sozialen Unternehmertums zu verstehen und zu analysieren. Dieser Beitrag betrachtet das soziale Unternehmertum aus einer ökologischen Perspektive und stellt die Behauptung auf, dass die Organisationsökologie in diesem neuen Bereich viel zu bieten hat. Man stützt sich insbesondere auf einmalige Daten über sogenannte Voucher Schools in Milwaukee, im US-Bundesstaat Wisconsin [Schulen, die ein staatlich unterstütztes Gutscheinprogramm für Familien mit niedrigen Einkommen anbieten], um die Entstehung und Dynamik dieser gemeinnützigen Gruppe zu untersuchen.

**Resumen** La creación e introducción de nuevas ideas y nuevas organizaciones para abordar los retos sociales son características centrales en la investigación actual sobre emprendimiento social, y a lo largo de las dos últimas décadas los eruditos han propuesto una variedad de enfoques para comprender y analizar éstas y otras dimensiones del emprendimiento social. El presente artículo analiza el emprendimiento social desde una perspectiva ecológica y propone que la ecología organizativa tiene mucho que ofrecer a este campo emergente. En concreto, el artículo se apoya en un único conjunto de datos sobre escuelas subvencionadas (mediante cheque escolar) en Milwaukee, Wisconsin, para analizar la emergencia así como también la dinámica de esta población sin ánimo de lucro.

## Introduction

The awareness and interest in social entrepreneurship (SE) is of growing interest to nonprofit practitioners and scholars. Today, SE is viewed as a promising field to enrich and challenge nonprofit scholarship and practice (e.g., Short et al. 2009; Mirabella and Young 2012; Stecker 2014). To date, researchers have approached SE from a variety of lenses, with the goal of adding nuances and insights to the overall understanding of SE (Short et al. 2009; Dacin et al. 2010). However, noticeably sparse in the current SE literature is research with an explicit ecological emphasis, i.e., inquiries targeting populations of organizations that demonstrate how such populations emerge, grow, and disappear over time (Carroll 1984). This absence is a substantial research gap, as the ecological perspective can provide an organizational as well as a macro-orientation to SE scholarship. While the importance of organizational emergence has been acknowledged in the SE literature (e.g., Spear and Bidet 2005; Austin et al. 2006; Mair and Marti 2006; Haugh 2007; Bloom and Dees 2008; Yusuf and Sloan 2013), few studies have addressed SE using an organizational ecology lens (Short et al. 2009).

We can of course only speculate as to why the organizational ecological perspective has been mostly absent in SE scholarship. One possible reason is the stronghold of SE as an individual-level phenomenon (Light 2006a; Dacin et al. 2011). Another reason might be the time and data required to study populations over time. Currently, this type of empirical SE-related data remains scarce (Hill et al. 2010). Finally, as highlighted by Aldrich (1990), applying the ecology perspective to entrepreneurship means a focus on macro level aggregates i.e., “rates” rather than traits, attributes, or behaviors. Thus, organizational ecology is not particularly concerned with offering managerial guidance such as best practices on how to stimulate SE, or make nonprofits more entrepreneurial.

In this paper, we utilize the ecological lens to analyze a unique dataset of an emergent nonprofit population—voucher schools. This dataset covers more than two decades of data of all organizations partaking in the United States’ first publicly funded private school voucher program: The Milwaukee Parental Choice Program (MPCP). This paper has several goals. The first goal is to demonstrate the utility and applicability of the ecological perspective for SE scholarship. The second goal is to use a community ecology perspective (Astley 1985; Ruef 2002; Romanelli 1991) to explore and depict how a new nonprofit population was born. As stated by Astley (1985, p. 239), utilizing a community ecology perspective implies treating the population itself as “the basic units of change and communities are the relevant contexts of inquiry.” The third and final goal is to empirically examine this relatively new population utilizing density dependence, one of the central ideas in population ecology theory (Carroll and Hannan 1995; Nownes and Lipinski 2005). Density dependence is used to assess factors affecting the founding, and mortality, of organizations within the Milwaukee voucher school population. The theory of density dependence is relevant for SE scholars because it draws attention to critical features of the entrepreneurial process, including legitimation, competition, and the acquisition of scarce resource.

## Nonprofit Voucher Schools as Social Entrepreneurship

In order to apply the ecological lens to SE, we first need to clarify this article’s approach to SE. Because the SE construct still remains a “contested concept” (Choi and Majumdar 2014), this section will discuss and clarify how the surfacing of nonprofit Milwaukee voucher schools can be understood as an expression of SE.

First, SE has long been considered a nonprofit sector phenomenon and some scholars even exclusively link SE to nonprofit organizations (Lasprogata and Cotten 2003). According to Light (2006b p. 18), much of the early literature on SE indeed assumed that “social entrepreneurs almost always reside in the nonprofit sector [...]” yet as Light (2006b) and others have remarked and argued (Austin et al. 2006; Jiao 2011) this is a too narrow view as SE can manifest itself in the nonprofit, public, and for-profit sectors, respectively. For example, in recent years, there has been a growing research interest in initiatives and agents operating at the intersection of the commercial, nonprofit, and public sectors, including L3Cs and benefit corporations (e.g., Beckmann et al. 2014; Certo and Miller 2008; Doherty

et al. 2014). However, the question of whether SE is an exclusively nonprofit sector phenomenon is beyond the scope of this paper, we only posit that SE and nonprofit scholarship is closely connected. For example, according to Short et al. (2009), nonprofit sector research and nonprofit sector perspectives have had a strong influence in distinguishing SE from other forms of entrepreneurship. Furthermore, as observed by Lumpkin et al. (2013), SE features antecedents and dimensions commonly associated with a nonprofit context, including focus on social mission or purpose, the role and influence of multiple stakeholder groups, and a resource environment that is different from that in commercial entrepreneurship. Thus, while SE is not an exclusive nonprofit construct, it is certainly applicable and appropriate for studying nonprofit phenomena and agents.

Second, scholars previously have specifically associated school voucher programs with the concept of SE. Sandler's (2010) text, *Social Entrepreneurship in Education: Private Ventures for the Public Good*, explores the rise of for-profit and nonprofit entrepreneurs in public education, specifically including private schools using vouchers in the growing family of social entrepreneurs seeking to address the problem of low urban academic achievement. Kitzzi (2002) uses the example of school vouchers to demonstrate how new social entrepreneurial innovations change the market environment for organizations providing public goods, including education. In addition, voucher skeptics (Henig 1994) and supporters alike (Chubb and Moe 1988) make specific reference to vouchers as a "radical reform" (Henig 1994, p. 3) designed to force existing schools to improve, and allow new schools to open, in order to address the perceived entrenched problems in the American public education system.

Third, this article associates SE with the creation of new nonprofit organizations. The focus on organizational creation has long been a core perspective in business entrepreneurship scholarship (Gartner 1988; Aldrich 1999), and has also been acknowledged in the nonprofit- (e.g., Bilodeau and Slivinski 1998) and SE literatures (Haugh 2005). According to Yusuf and Sloan (2013, p. 4), SE "conceptually involves the establishment or start-up of social ventures that often take the form of nonprofit or nongovernmental organizations, to address a wide range of problems [...]." In other words, Yusuf and Sloan (2013) suggest that SE is actually defined as the process of creating and organizing a new nonprofit organization. The emphasis on organizational creation is rooted in the idea that new organizations are vital change agents capable of challenging the status quo in ways that spur economic and societal development. However, scholars have also recognized that not all new organizations are change agents, they can be both imitative, and innovative (Samuelsson and Davidsson 2009). This distinction is important, as Jiao (2011) notes, because SE is a way to understand how nonprofit organizations bring new innovations into the nonprofit sector. Thus, the focus on new nonprofit organizations taken in this article emanates from the notion that these organizations are carriers and implementers of an innovative idea. In this case, that idea is school vouchers designed to address the struggles or urban education. If, as noted by Yusuf and Sloan (2013), SE involves comprehending how new nonprofits help resolve new and persisting social issues and challenges, then "creativity and innovation are necessary to solve these problems, so the process by which these are

introduced by new nonprofit organizations is an important topic.” (Van Slyke and Lacey 2012, p. 11)

Finally, in this article, we look specifically at the experience of America’s first private school voucher program. Although the idea (i.e., the invention) of school vouchers as a means for improving urban education dates back to the 1950s, this idea was not implemented and did not become an actual policy (i.e., an innovation) until 1990 in Milwaukee (Friedman 1955; Witte 2000). School vouchers were presented, theoretically by Milton Friedman (1955), and more practically by Chubb and Moe (1988), as an innovative way to fundamentally restructure the delivery of public education in the United States by replacing a top-down bureaucratic institution unconcerned with customer satisfaction, and with little motive to innovate, into an institution that encourages and rewards innovation and customer service. Under the school voucher framework proposed by Friedman (1955), schools will either be responsive to the needs of parents by addressing the shortcomings of the existing public school system, or lose enrollment and be forced to close. Core to the theory of school vouchers is the promise that a voucher system will create new innovative providers of public education (i.e., new voucher schools) as a response to the shortcomings of the status quo education system and the desires of parents. Chubb and Moe (1988), p. 1066 specifically argued that the ills of the American education system are in part due to the failure of scholars and practitioners to realize the importance of the ecological environment, concluding that “[d]ifferent types of environments should tend to produce different types of schools.” In other words, the theory behind school vouchers is premised on the idea that the population ecology of organizations providing educational services affects the quality of the services provided. Simply, vouchers lead to the emergence of new organizations that in turn becomes the tool to change the population ecology in a way that addresses perceived shortcomings in public education (Friedman 1955; Chubb and Moe 1988; Witte 2000; Andersson and Ford 2014).

Having elucidated SE by stressing the centrality of nonprofit agents generating and instigating new ideas for social change, we now turn our attention to the ecological perspective to illuminate how a more systematic attention to organizational ecology has the potential to contribute and enrich the overall understanding of SE.

### **The Emergence of the Milwaukee Voucher School Population: A Community Ecology Perspective**

As mentioned earlier, ecological research focuses on organizational populations as the essential unit of analysis, and frequently centers on the dynamics, variation, and stabilizing forces within established populations. But examining the emergence and evolution of new populations requires an even higher level of analysis, and a shift to a community ecology perspective that is “primarily concerned with the emergence and disappearance of organizational forms” (Carroll 1984, p. 72). Thus, community ecology research is interested in both the sets of conditions that facilitate and stimulate the appearance of new, innovative organizational forms, and the ways in

which such forms are able to successfully take hold and survive (McKendrick and Carroll 2001; Ruef 2000).

To make sense of the emergence of the Milwaukee voucher school population, we draw from the work of two community ecology scholars, Astley (1985) and Ruef (2002). Astley (1985) notes that ecology scholarship is, somewhat paradoxically, built around the ideas of stability, and continuous and gradual views of change. However, in order to understand what creates or threatens stability, Astley (1985) argues it is necessary to examine the episodic and abrupt events that (p. 230) ““punctuate” extended periods of negligible change, or “equilibrium,” in population forms.” There are two essential features associated with such events: innovation and opportunity. As noted by Romanelli (1991), the economic innovations literature (Schumpeter’s work in particular) has played an important role in studies of the evolution of new organizational forms. Innovations are relevant to ecological scholars because of their function as a form of environmental crowbar bending up new organizational space (Astley 1985). Astley corresponds closely to Martin and Osberg’s (2007, p. 35) notion of SE as a force for identifying, punctuating, and ultimately forging a new equilibrium “that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large.” While it is difficult (if not impossible) to predict when and why new innovations will emerge, it is possible to identify the presence of an (Astley 1985 p. 233) “ecological opportunity” in the form of a receptive environment or (what Astley refers to as) open environmental space. Furthermore, innovation and ecological opportunity are closely interrelated in that new innovations create opportunities for sector/industry structural change, which in turn provides room for additional innovations (Romanelli 1991).

Ruef (2002) adds important nuances to the notion of open environmental space, finding that ecological innovation is seldom a discrete event, but rather a process that can stretch over long periods of time. Thus, it is important to bring a historical perspective to better understand how the environmental factors change in ways relevant to the birth and lifespan of socially entrepreneurial organizations. Ruef (2002, p 671) specifically notes the importance of institutional pressures like regulation on actors in fields such as education:

“For fields that are subject to strong institutional pressures—such as health care, utilities, schools, banks, and the like—regulatory events are especially important as timing markers. Given the legal-rational authority of the state in modern society, its recognition of an organizational form as a legitimate (or illegitimate) class of collective actors is often one of the most significant events in highly institutionalized arenas.”

We now turn our attention specifically to voucher schools by providing a historical account of the creation of voucher policy in Milwaukee, a discussion of the innovations promised by the creation of voucher schools, and, given the significantly institutionalized environment of education, an overview of the key regulatory events impacting the emergence and evolution of the voucher school population.

## The Creation and Growth of Milwaukee Parental Choice Program

Milton Friedman (1955) is credited with first proposing a free market-based voucher system as a method to improve educational performance in the United States. Friedman argued that giving parents the ability to send their child, and the public education funding earmarked for their child, to the public or private school of their choice would inject competition into America's school sector by forcing schools to improve or lose students and enrollment. However, Friedman's idea did not become reality until a unique set of circumstances opened up the policy window, described generally by Kingdon (1995) as a set of circumstances coalescing to enable the creation of a public policy, for voucher schools in the City of Milwaukee, WI. Those circumstances included the following:

- A growing lack of trust in Milwaukee's public education system, particularly among African-Americans (Dougherty 2004);
- A political alliance between African-American Urban Democrats and White non-urban Republicans (Witte 2000); and
- A popular Governor serving as a forceful policy champion (Witte 2000)

The MPCP began in 1990 as an experiment enabling a limited number of low-income Milwaukee children to attend non-sectarian private schools at state expense (Witte 2000; Kava 2013). The program languished along as a fringe reform effort until 1995, when Tommy Thompson signed into law Act 27, which expanded program eligibility to religious schools and raised the voucher enrollment cap to 15 % of MPS enrollment (Kava 2013). However, the expansion was immediately challenged in court, causing the program to continue its marginal trajectory until the Wisconsin State Supreme court deemed the participation of religious schools constitutional in the June 10, 1998 *Benson V. Jackson* decision.

Participation in the MPCP increased greatly in the first year in which religious schools could accept vouchers. In addition, the number of schools participating in the program more than doubled from 23 to 83. In one fell swoop, the MPCP went from a small experiment in market-based education reform to a substantively significant provider of publicly funded education for Milwaukee students.

Religious schools were the dominant provider of education in the MPCP as soon as they were allowed to participate. In the 1998–1999 school year, 45 % of students using the MPCP attended a Catholic school. However, non-sectarian schools did keep significant market share, enrolling almost 30 % of all MPCP students. Still, the religious expansion of the MPCP fundamentally moved the program to a strong religious and particularly Catholic orientation.

In 2002–2003, voucher enrollment surpassed 10,000 pupils and the program appeared to be humming along at its current regulatory structure. However, the stories of two troubled schools, Mandella Academy and Alex's Academics of Excellence, brought another seismic shift to the MPCP in 2003. Both schools were visited by media and exhibited significant deficiencies, not the least of which was the presence of a convicted rapist at the helm of Alex's Academics of Excellence.

Despite the well-documented deficiencies of both schools, DPI maintained that it was beyond their authority to close down either school. The crisis led directly to the

passage of 2003 Act 155, signed into law in March 2004 by Governor Jim Doyle. The new law required that participating schools undergo an annual independent financial audit certified by an independent accountant, submit to the state a City of Milwaukee occupancy permit prior to opening, provide evidence of financial viability, provide proof that the school's administrator attended state financial training, and most sweepingly empowered the DPI Superintendent to terminate a school's participation in the program "if he or she determines that conditions at the private school present an imminent threat to the health or safety of pupils" (Act 155, 2003).

The law change had an immediate impact. It empowered DPI to close both Alex's Academics of Excellence and Mandella Academy. In future years, Act 155 would prove effective at shutting down deficient schools. Between its passage and 2013, 31 schools were removed from the voucher program using Act 155; each school closed permanently once public support was removed (DPI 2013).

The next major regulatory event occurred during the 2005–2006 school year, when, enrollment in the MPCP reached 15,435 students, exceeding the program's enrollment cap. As required under state law, DPI ordered schools to stop accepting new student applications, and prepared a plan to divide allowable program enrollment evenly among MPCP schools. If seat rationing occurred, small schools would have received many more seats than they could use, and large schools would have received far fewer seats than they needed.

School choice advocates very publicly pressured legislators and Governor Jim Doyle to lift the enrollment cap in order to prevent the rationing of program seats. These efforts proved successful on March 10, 2006 when Doyle signed into law legislation raising the enrollment cap to 22,500 pupils (Act 125, 2005). The measure passed the Wisconsin Assembly and Senate with bi-partisan support and gained an unprecedented level of support from Milwaukee legislative Democrats.

Several accountability provisions were included in Act 125, which further moved the MPCP away from a free market orientation. For the first time, all schools in the program were required to be independently accredited by an agency named in the statutes within 3 years of program participation. Act 125 also required that all MPCP pupils take a nationally-normed standardized test in reading, math, and science in grades 4, 8, and 10. It did not require that schools take the official state Wisconsin Knowledge and Concepts Exam (WKCE), nor did it require that schools release the results of their test scores, but it did set down a marker that students receiving a publicly funded education anywhere in Milwaukee were now expected to take standardized tests.

Today, almost 25,000 low- and middle-income students use a voucher to attend over 100 private, nonprofit, mostly religious schools in and around Milwaukee (Kava 2013). In total, roughly one in four Milwaukee students currently receiving a publicly funded education is doing so with a voucher. To qualify for a voucher, a student must live in the City of Milwaukee and come from a household with an income at or below 300 % of the federal poverty level (\$70,047 for a family of four in 2013) (DPI 2013). Parents apply directly to the school they want their child to attend and must be enrolled if they meet income and residency requirements, unless, the school receives more applicants at a certain grade level than they have available



seats. If more applications are received than a school has seats, a school must conduct a random lottery (Kava 2013). Once a student is enrolled, the school receives four payments throughout the school year totaling \$6,442. Aside from a limited number of high school students, parents may not be charged any tuition above the value of the voucher (Kava 2013).

Participating schools also must meet a variety of fiscal accountability requirements, provide parents with a multitude of school policies, agree not to screen students for prior performance, special needs status, behavior history, etc., and administer the WKCE to all enrolled voucher students in the same grade and subject as public schools (Kava 2013). The results of standardized test scores are publicly released. The largest regulatory difference between private schools in the voucher program and traditional public schools in Milwaukee is that private schools do not have to employ licensed teachers, are not overseen by an elected school board, are not subject to open records law, and must obtain accreditation from an agency named in the Wisconsin state statutes (Kava 2013).

### **The Evolution of the Milwaukee Voucher School Population: A Population Ecology Perspective**

Having outlined the emergence of the voucher school population in Milwaukee, we now turn to the other facet of ecological research that seeks to understand how populations change and evolve from within once they exist. Because SE scholarship is not just interested in new forms of organizations but also the emergence of new nonprofit organizations within already established populations (Yusuf and Sloan 2013), inquiries into founding of new nonprofits and their viability in early years as well as nonprofit mortality are all important facets of SE scholarship. Put somewhat differently, as interesting as it may be to dissect and portray social entrepreneurs, learning how social entrepreneurs and their organizations differ from “ordinary” nonprofits, or conduct case studies on socially entrepreneurial nonprofits changing the world, insights into how and why some new innovative nonprofits thrive and others fail is essential to develop the field of SE. Moreover, one cannot fully comprehend how and why some social entrepreneurs are able to launch and sustain new nonprofits despite major obstacles without looking to the context in which these ventures come into being and evolve. Population ecology theory is one perspective seeking to address these types of issues by looking at how established populations of organizations are transformed from within due to the differential success of their constituent members. By analyzing how and why certain organizations fail and are selected out while others survive in process where new organizations continuously are founded and enter the population, the population ecology perspective focuses attention to how and why a population as a whole gradually evolves and changes composition (Hannan and Freeman 1989). It is also interesting to mention that SE research with an explicit focus on the nonprofit sector can indeed draw from a rich source of ecological nonprofit research (e.g., Hager et al. 2004; Twombly 2003; Wollebaek 2009), as the roots of the population ecology perspective “are intertwined with the study of nonprofit organizations” (Abzug 1999, p. 331).

Hence, population ecology investigates how the process of natural selection gradually transforms a given population over time by looking at organizations entering, surviving, and/or exiting the population (Astley 1985; Carroll and Hannan 1995). Here we focus on the entry and exists of voucher schools in Milwaukee using two “lenses” from population ecology scholarship: density dependence (Carroll and Hannan 1995) and entry mode (Carroll et al. 1996).

Density dependence theory is relevant to organizational SE scholarship because it emphasizes two critical factors with great significance for comprehending new social venture development: competition for scarce resources and legitimation. The central density dependence argument is that the relation between density and the founding rate within a population can be depicted as an inverted U. (Hannan 1995, p. 130) explains this central argument the following way:

“[...] growth of density from zero should increase the founding rate, but eventually further growth in density should lower the founding rate. This is because at low density, growth in density increases the founding rate through a legitimation effect; but at some point, further growth in density has a mainly competitive effect that depresses the founding rate.”

Density dependence is important for the purpose of our paper because it affects the process of selection i.e., births and deaths of new voucher schools, both of which represent visible outcomes of selection processes.

We also draw from the entry mode literature because it directs attention to the fact that some organizations enter the population as brand new ventures (de novo organizations) and some enter by diversification away from a different population (de alio organizations) (Carroll et al. 1996). Entry mode research typically starts with the assumption that de nova and de alio organizations will differ in terms of how likely they are to survive. Again, resources and legitimacy play an important role in that new and diversifying organizations are likely different in terms of their initial resource endowments and their legitimacy.

## An Analysis of the Lifecycle of MPCP Schools

Little scholarly attention has been paid to the entrepreneurial activity generated by the MPCP. A comprehensive review of data from the Wisconsin Department of Public Instruction (DPI) conducted by the authors shows that between 1991 and 2013, 212 private schools participated in the MPCP (Staff 2014). Of those 212 schools, 123 were start-ups. We were able to determine which schools were start-ups by reviewing DPI private school enrollment data for the year prior to each school’s first-time participation in the MPCP. Although there is no explicit prohibition on for-profit schools in the MPCP statutes, a review of 1990s, a 2000 state audit of the MPCP, and inquires made by the authors determined that the MPCP start-up schools examined in this article were also nonprofits (LAB 2002).

Our review of MPCP data also showed that a large number of start-up schools in the MPCP (78) failed. Failed in our analysis is defined as voluntarily ceasing operations as a school, or being forced to close as a result of regulatory action. The

nonprofit status of the start-up MPCP schools, as well as the substantively significant 63.4 % failure rate, provides a unique opportunity to explore the life cycle of a population of organizations engaged in SE.

### **How Does an MPCP School Open? How Does it Fail?**

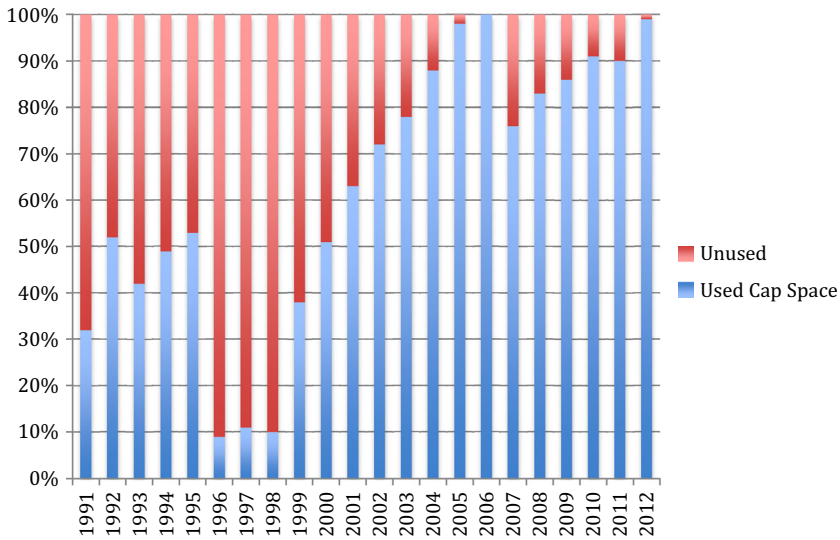
Between 1991 and 2003, the process for opening a private school and joining the MPCP was fairly simple. First, a school had to qualify as a private school under Wisconsin Statutes 118.165, which require that schools provide a minimum of 875 hours of instruction, a sequential curriculum in reading, language arts, math, social studies, science, and health, and provide at least 2 months of summer vacation. Second, a school had to file paperwork indicating its intent to participate in the MPCP by February 1st in the year prior to their opening. On that form, a school representative must indicate the school's address and contact information, the name of the school administrator, and the school's plan for conducting a random lottery for received applications (Kava 2013). Last, and arguably most difficult, a school had to enroll pupils in order to generate voucher payments.

The 2003 passage of Wisconsin Act 155 significantly increased the barriers to entry into the MPCP. After 2003, start-up schools had to produce evidence of financial viability, an acceptable budget, an occupancy permit, and have the school administrator attend a training course conducted by DPI (Kava 2013). Further law changes in 2005 mandated that schools be in a private accreditation process prior to joining the MPCP.

As mentioned, school failure in this analysis refers to a school voluntarily ceasing operations, or being shut down by DPI for violating MPCP statutes. The previously mentioned Act 155 empowered DPI to terminate a school from the MPCP for fiscal insolvency, posing a risk to the health or safety of pupils, or violating any other MPCP regulation (Kava 2013). Over the course of the MPCP's history, 38 start-up schools have been terminated by DPI. Another 40 ceased operations and closed on their accord. A previous analysis of school closures in the MPCP conducted by Ford (2011) found that low enrollment growth was a significant predictor of a school voluntarily ceasing operations; the slower a school's growth, the more likely it was to close voluntarily. Presumably, this relationship is due to the necessity of steady voucher funding in order to maintain operations.

### **Descriptive Data on Start-Up Schools**

Using publicly available data from DPI, the authors assembled a dataset consisting of school-level variables for all 123 start-up schools that participated in the MPCP between the years 1991 and 2013. Included in our dataset is a density variable, cap usage in final year, which measures the percentage of allowable voucher enrollment used in each school's final year of MPCP participation. Between 1991 and 2012, program participation was capped under Wisconsin state statute. Between 1991 and 1993, maximum voucher usage was 1 % of the Milwaukee Public Schools (MPS) student population (Witte 2000). Between 1993 and 1995, the cap was 1.5 % of the MPS student population (Witte 2000). Between 1995 and 2006, the cap was 15 % of



**Fig. 1** Used and unused voucher cap space by year

the MPS enrollment, and from 2007 to 2012 the enrollment cap was 22,500 students (Kava 2013). Figure 1 displays the percentage of cap usage by year over the life of the MPCP. Three times in the program's history, 2005, 2006, and 2012, the enrollment cap was approached or hit, forcing DPI to suspend its processing of student applications, effectively ceasing new enrollees in participating schools.

Table 1 lists the descriptive statistics for all the continuous variables used in our analyses of start-up schools. Included are measures of

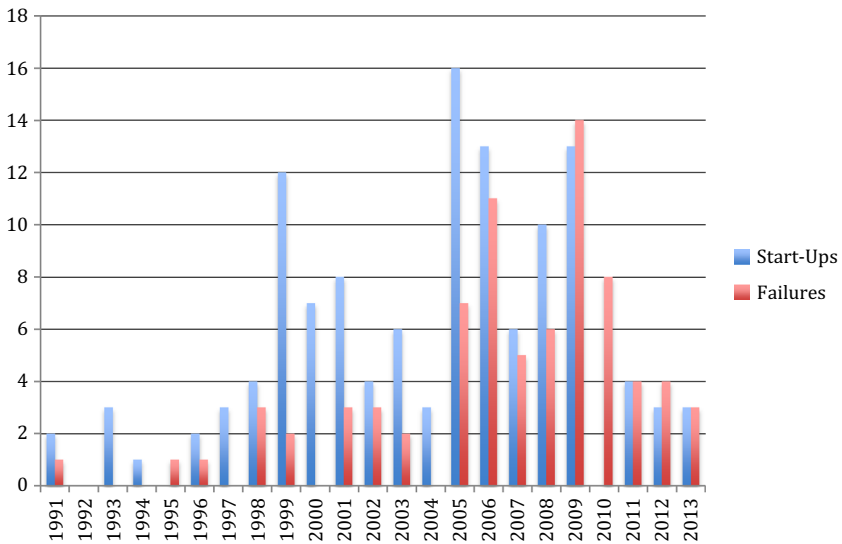
- the number of years of school participation in the MPCP,
- average voucher enrollment over a school's time in the program (a measure of school size),
- average annual voucher growth over a school's time in the program,
- average percentage of a school's total enrollment, that is voucher students over the course of their time in the program (a measure of reliance on government revenues, and a proxy for the socioeconomic make-up of the student population), and
- the number of new start-up voucher schools in each school's 1 year of program participation.

In addition, two dichotomous variables, one indicating if a school is one of the 68 non-sectarian program participants, and the other indicating whether a school is one of the 77 schools that joined the MPCP after the 2003 passage of the previously described Act 155 legislation, are used in our analyses.

In Fig. 2, we graph the annual number of school start-ups and failures over the life of the MPCP. Upon inspection of the graph, it is clear that there was comparatively less entrepreneurial MPCP school activity, and fewer school failures,

**Table 1** Descriptive statistics for continuous variables

	N	Mean	SD
Cap usage in final year	123	55.2	42.72
Average percent voucher enrollment	122	0.89	0.16
Average annual growth	113	11.4	20.15
Start-ups in year one	123	9.15	4.58
Average voucher enrollment	123	89.31	96.33
Years in MPCP	123	5.33	4.46

**Fig. 2** Number of MPCP start-ups and failures by year

before the 1999 school year. The reason for this is the somewhat limited scope of the MPCP prior to the inclusion of religious schools, and the raising of the statutory enrollment cap to 15 % of MPS enrollment. Overall, the number of school start-ups peaked in 2005, while the number of school failures peaked in 2009. However, it is evident that start-ups and failures are a regular occurrence in the MPCP.

### Hypotheses and Methods for Analysis of Start-Up School Failure

In this section, we test the following two hypotheses:

- Hypothesis 1: There is a positive relationship between the percentage of MPCP enrollment cap space used in a school's final year of program participation and risk of school failure over time.
- Hypothesis 2: Schools that entered the MPCP after the enactment of 2003 Wisconsin Act 155 have a higher risk of failure over time.

Both hypotheses are rooted in the population ecology framework presented by Nownes and Lipiniski (2005). Nownes and Lipiniski (2005) argue that entry and exit into a population are population-level events impacted by population-level characteristics. In the case of the MPCP, this would mean global population factors such as regulatory environment and provider density are linked to school failures in the MPCP. This framework provides an alternative to the market theory underlying school voucher policy presented by Friedman (1955) and Chubb and Moe (1988). Under classic education voucher theory, school-level organization characteristics, mainly educational quality and attractiveness to parents, are the factors that drive a school's ability to attract parents and voucher revenue, and ultimately their ability to survive (Friedman 1955).

We test our hypotheses using survival analysis. Specifically, we use a Cox proportional hazards model, or Cox regression, where years of participation in the MPCP is the time variable. Within our dataset, the average length of participation in the MPCP is 5.16 years. However, the average length of program participation for failed schools is just 3.44 years, compared to 8.21 years for non-failed schools. The Cox regression methodology allows us to determine if certain "treatments" increase the risk of a school failing over its time in the MPCP (Berman and Wang 2012).

Specifically, the "treatments" used in our model are enrollment density, defined as the percentage of MPCP cap spaced used in a school's final year of MPCP participation, and regulation, defined as entering the MPCP after the passage of Act 155. Both of these "treatments" should plausibly change a school's risk of failure over time. Why? First, an MPCP school is dependent on school vouchers to survive. Without enrolling pupils, and receiving the voucher money that comes with those pupils, an MPCP school will fail just like any other organization deprived of sufficient resources (Kaufman 1991). When organizational density increases, the task of obtaining sufficient scarce resources logically becomes more difficult. This problem is especially acute in the case of the MPCP where the legislature puts an arbitrary cap on MPCP schools' most important resource: enrollment. Second, 2003 Act 155 greatly increased the ability of DPI to close MPCP schools; presumably schools entering the MPCP after the enactment of that bill faced a higher risk of failure due to the increased ability of DPI to terminate a school's participation in the voucher program.

We also include several control variables to address the likely impact of organizational level characteristics, including average school size, dependence on voucher revenue, average enrollment growth, and non-sectarian status, on the risk of failure. The results, listed in Table 2, provide support for both of our hypotheses.

The first focal variable, cap usage in final year, has a statistically significant positive impact on the risk of school failure over time. Schools with a higher density of voucher schools in their final year of MPCP participation (measured as the percentage of used allowable voucher usage) have a higher risk of failing over their time of participation in the MPCP. In other words, schools were at higher risk of failing in years when program usage was closer to allowable program size. The second focal variable, the dummy variable indicating a school opened after the enactment of Act 155, has a statistically significant positive relationship with the risk of school failure over time. In other words, schools that entered the MPCP in

**Table 2** Cox regression results where time indicator is years in MPCP and event is school failure ( $N = 123$ )

	B	SE	Wald	Hazard Ratio	95 % CI for Hazard Ratio	
					Lower	Upper
Cap usage in final year	0.024***	0.004	29.26	1.025	1.016	1.034
Post act 155	1.078**	0.345	9.729	2.937	1.492	5.781
Average pct. voucher enrollment	0.258	0.708	0.133	1.294	0.323	5.179
Average annual growth	0.005	0.011	0.201	1.005	0.983	1.028
New schools in year one	0.025	0.033	0.593	1.025	0.962	1.093
Average school enrollment	-0.008**	0.003	7.745	0.992	0.986	0.998
Non-sectarian	0.231	0.252	0.842	1.26	0.769	2.064

-2 log-likelihood = 512.231

$\chi^2 = 66.919$

\*\*\*  $p < .001$ ; \*\*  $p < .01$

the enhanced regulatory era beginning in 2003 faced greater risk of failure over their time in the MPCP. The control variable for overall school voucher enrollment, a measure of school size, is also statistically significant, showing that larger schools have a lower risk of failure over time.

### Entry and Exit for the Total Population

In the following section, we expand our analysis beyond start-up voucher schools to the MPCP population on whole to test whether population-level factors influence the likelihood of a school joining the MPCP, or failing. We explore this question using a more extensive panel dataset assembled by the authors using data obtained from DPI. The dataset contains one entry for every school for every year they participated in the MPCP between the years 1991 and 2010. The advantage of the panel data compared to the dataset used in our analysis of start-up schools is the ability to track year-to-year changes in both population-level and school-level characteristics.

The descriptive statistics for the continuous variables in the dataset are listed in Table 3, and frequency data for dichotomous variables are listed in Table 4. Cap Space is the difference between the maximum allowed participation in the MPCP and actual program enrollment in any given year. Number of schools refers to the total number of MPCP schools in any given year. Low-income population in MPS is the percentage of students at or below 185 % of the federal poverty limit in MPS; the variable is used to measure the share of possible program participations in the City of Milwaukee in any given year. Per pupil revenue is the CPI-adjusted maximum MPCP per-pupil payment, and Pct. voucher is the percentage of a schools' population that attended via a voucher in any given year.

The variable regulation is a variable created by the authors to measure the level of regulation on participating MPCP schools in any given year. The variable ranged

**Table 3** Descriptive statistics for continuous variables

	N	Mean	SD
Cap space	1407	4327.445	3201.949
Number of schools	1407	103.555	28.293
Low-income population in MPS	1407	74.498	3.954
Per pupil revenue (inflation adjusted)	1407	6501.903	520.657
Regulation	1407	3.06	1.084
Pct. voucher	1404	.708	.311

**Table 4** Frequency data for dichotomous variables

	N	Yes	No
Catholic	1407	418	989
Independent christian	1407	285	1122
Other religious	1407	36	1371
Lutheran	1407	253	1154
Non-sectarian	1407	415	992
High school	1407	298	1109
Existed pre-MPCP	1407	952	455
Democratic governor	1407	926	481
Join the MPCP	1407	212	1195
Failed	1407	84	1323

from one to five, each number representing the years as described below (See Kava (2013) for additional description of MPCP regulatory changes during this time period):

- 1991–1995: This was a period of minimal regulation where schools were only required to satisfy one of the four regulations in the areas of parental involvement and academic achievement to remain open.
- 1996–2003: During this era, schools were subject to uniform accounting standards and required to undergo an annual financial audit.
- 2004–2005: During this period, the requirements of the previously described Act 155 were implemented.
- 2006–2009: In this era, MPCP schools began having to satisfy a private accreditation requirement, as well as standardized testing requirement.
- 2010: In this year, MPCP schools began taking and releasing the results of the state WKCE, and having to enact school-level policies that mirror those of public schools.

Using these data, we test the hypothesis that population-level factors, specifically cap space, the number of MPCP schools, the percentage of low-income pupils in MPS, per pupil revenue, and the presence of a Democratic government, and overall level of regulation, affect the likelihood that a school will join or leave the MPCP.



Cap space and number of schools are measures of density variables, low-income population measures available supply of students, per pupil revenue measures available resources for participating schools, the Democratic Governor variable is a measure of political climate (Democrats have generally been opposed to the MPCP in Wisconsin Witte 2000), and regulation is a measure of the level of regulation in the MPCP by year.

We test our hypothesis using two random effects logistic regression models. In the first model, the dependent variable is joining the MPCP. The results, displayed in Table 5, show that cap space, the number of schools, and the percentage of low-income students in MPS all increase the likelihood of a school joining the MPCP. Per pupil revenue, having a Democratic governor, and a higher level of regulation, all decreased the likelihood that a school would join the MPCP. In the second model, the dependent variable is school failure. In that model, the only significant population-level variable is regulation, which is positively related to the likelihood that a school failed.

Both models provide support for our hypothesis, population-level factors do have a significant effect on the likelihood that school will join the MPCP, or fail. We note in particular the consistency in our survival analysis of start-up schools with our

**Table 5** Random effects logistic regression results

Dependent variables	Join the MPCP		Failed	
	B	SE	B	SE
<b>Population-level factors</b>				
Cap space	.000**	.000	.000	.000
Number of schools	.020*	.008	-.002	.012
Low-income population in MPS	.140**	.041	-.001	-.071
Per pupil revenue (inflation adjusted)	-.001***	.000	.000	.001
Democratic governor	-1.040**	.378	-.641	.677
Regulation	-700***	.178	.730*	.306
<b>School-level factors</b>				
Pct. voucher	-.690*	.322	-.607	.689
Catholic	-.215	.276	.143	.798
Independent christian	-.783*	.320	1.191	.792
Other religious	-.528	.678	-18.437	170905.090
Non-sectarian	-1.061**	.316	2.519**	.869
High school	.231	.208	-.848	.505
Existed pre-MPCP	-2.138***	.264	-1.673**	.494
Constant	-1.076	2.557	-8.836	5.287
<i>n</i>	1404		1404	
Observations	212		212	
Log-likelihood	-497.383		-259.0543	

\*\*\*  $p < .001$ ; \*\*  $p < .01$ ; \*  $p < .05$

analysis of the population on whole. In both cases, regulation influences the likelihood that a school will fail. Also of importance is the role of density. In the population on whole, available cap space is a positive predictor of the likelihood that school joined the MPCP. Interestingly, the per pupil payment is actually a negative predictor of the likelihood a school joined the MPCP, suggesting that seeking public support for their schools may be more important to new MPCP schools than seeking more or less public support. The political environment also influences the likelihood of a school joining the MPCP. Likely, this finding reflects the fact that increased barriers to entry for MPCP schools were spearheaded by Democratic Governor Jim Doyle in 2003 and 2005 (Kava 2013). Finally, we note that school-level variables, including religious affiliation, reliance on vouchers, and status as a start-up school all influence the likelihood that a school will join the MPCP and/or eventually fail. While this is of course important, it does not take away from the fact that we demonstrate that population-level variables, such as density and regulation, have significant influence on a schools' propensity to join the MPCP, or fail.

## Conclusion

We set out to accomplish three things in this article: first, highlight and demonstrate the utility of adopting an ecological perspective to advance SE scholarship; second, using a community ecology perspective, how a new population of nonprofit organizations was born; and third, use population ecology and density theory to better understand and analyze the lifecycle of the nonprofit organizations in this emerging population. Our analysis leads to several conclusions related to our stated goals. Simply by engaging in this analysis we demonstrate that, using full population data, the ecology perspective can indeed be applied to cases of SE. We note that the case of the MPCP is particularly suited to this type of analysis due to the limited history of school voucher policy in the United States, and the geographic boundaries on the particular case of the MPCP. However, other SE efforts are similarly bounded by geography and history, and hence can and likely benefit to be studied from an ecology perspective. Why? As our presented models demonstrate, ecological barriers do impact the lifecycle of socially entrepreneurial nonprofits. Our survival analysis shows that both population density and regulatory climate predict nonprofit failure in the MPCP. The analysis of our panel dataset similarly shows that a variety of population-level variables predict the likelihood that a new nonprofit will enter the emerging entrepreneurial fields like the MPCP. Broadly, our study demonstrates how population variables affect the birth and death of socially entrepreneurial nonprofits and provide a roadmap on how to study these effects.

Of course, we caution that our study is of a single SE activity in a sector that is unique for its visibility, level of political controversy, and level of government involvement in funding and regulation. The future application of an ecological approach to understanding SE with a focus on SE efforts substantially different than the MPCP could serve to strengthen the validity, and broaden the scope, of our findings. Nonetheless, our findings do demonstrate the need to, and feasibility of,

studying SE from a population ecology perspective. As the nonprofit sector is increasingly called upon to find sustainable approaches to entrenched public policy concerns, like low-performing urban education systems, certain levels of government regulation, political intervention, and organization-to-organization competition is to be expected. As such, limiting the study of SE to the organizational level ignores population-level variables that, as shown in this study, impact the fates of individual nonprofits. It is essential that SE be studied from both an organizational level and population level if the potential of SE is to be realized.

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