

**BEYOND GRANTMAKING: PHILANTHROPIC FOUNDATIONS AS AGENTS OF
CHANGE AND INSTITUTIONAL ENTREPRENEURS**

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Abstract

Studies examining the role of philanthropic foundations in advancing social change have primarily focused on the impact of foundations' financial resources, but few scholars have analyzed how foundations also leverage social mechanisms to advance and legitimate desired change. We conceptualize philanthropic foundations as agents of change, known as *institutional entrepreneurs*, to illuminate the social mechanisms they employ in pursuit of institutional change. We study the case of charter schools within the field of U.S. public education, where foundations elevated a new organizational form—the charter management organization—by engaging in three social mechanisms: recombining cultural elements to establish the form, enforcing evaluative frameworks to assess the form, and sponsoring new professionals to populate the form with preferred expertise. We argue that foundations are distinctive due to their ability to simultaneously pursue social mechanisms that are often considered to be the realms of different types of institutional entrepreneurs.

Introduction

Foundations' financial resources are substantial and have grown rapidly in the past two decades. The combined asset size of the approximately 76,000 grantmaking foundations in the United States increased from \$272 billion in 1995 to \$625 billion in 2012 (Urban Institute, 2012; National Center for Charitable Statistics, 2013); while in Europe, an estimated 100,000 foundations provide between €3 and €50 billion annually (European Foundation Centre, 2012). Research that focuses on the influence of philanthropic foundations in society is important not only because of foundations' substantial wealth, but because they also possess the ability to confer cultural legitimacy (Hwang & Powell, 2009). To date, empirical studies on philanthropy have predominantly focused on the impact of foundations' financial resources, as opposed to the social mechanisms by which foundations change established institutions and legitimate new institutions (Bartley, 2007). To address this gap, we conceptualize foundations as *institutional entrepreneurs*—organizations with significant resources who create or alter institutions (DiMaggio, 1988)—and show how foundations can elevate a new organizational form by linking their grantmaking with three social mechanisms: recombining cultural elements to establish new organizational forms, developing and enforcing evaluative frameworks to assess these forms, and sponsoring new professionals to populate these forms with desired expertise. Our empirical focus is the elevation of the charter management organization (CMO) in the U.S. public education field.

Theoretical Orientation

Foundations And Institutional Change

Research on foundations as agents of social change can be broadly classified into two areas. One body of historical literature documents the impact that foundations have had on professional fields, policy contexts and social movements (Anderson & Moss, 1999; O'Connor, 1999; Faber & McCarthy, 2005; Fleishman, 2009; Walters & Bowman, 2010; Clemens & Lee, 2010). Another body of scholarship investigates how foundation funding has influenced the organizational trajectories of nonprofit organizations engaged in social change efforts (Piven & Cloward, 1977; Haines, 1984; Jenkins & Eckert, 1986; Delfin & Tang, 2008). These studies attend more to the organizational and field-level outcomes of foundation funding and less on social mechanisms, or the *processes* by which change is enacted (Scott, 2004), an area that, as Bartley writes, “even the best research has often glossed over” (2007: 231).

But in recent decades, scholars have begun to examine the entrepreneurial activities, beyond grantmaking, that foundations engage in pursuit of institutional change within an “organizational field”—that is, the set of organizations that “in the aggregate constitute a recognized area of institutional life” (DiMaggio & Powell, 1983: 148). In the U.S., the organizational field of education has been the target of several foundation-sponsored institutional change projects (Ferris, Henstcke, & Joy, 2008; Clemens & Lee, 2010). For example, Teles (2008) argues that the Olin Foundation was a central player in the organizational transformation of American law schools in the 1960s and 1970s, helping to establish the “law and economics” intellectual school, an anchor of the conservative legal movement. Olin’s effort was a reaction, in part, to the Ford Foundation’s sponsorship of progressive law school clinics and poverty law

curricula. Teles argues that these foundations were not solely sources of financial resources, but were “critical coordinating structures, the site in an alternative governing coalition where information is gathered, lessons drawn and disseminated, and slack resources directed” (21). Teles refers to foundations that “move beyond funding to provide coordination and advice” as “strategic coordinators” (51).

Khurana (2007) also investigates foundations as strategic coordinators in his examination of the transformation of management education in the contemporary era. When business schools began to experience criticism for incoherent pedagogy and inferior scholarship, a group of large foundations, including Carnegie and the Ford Foundation, formed an initiative to elevate the status of management education within the academy. These foundations funded doctoral fellowships, sponsored conferences for business school leaders, and supported faculty research. By channeling resources toward a handful of business schools, foundations both conferred elite legitimacy on some schools and incentivized other schools to adopt their preferred standards.

Gallagher and Bailey (2000) describe how the Carnegie Corporation was also influential as a strategic coordinator in professionalizing medical education in the early 20th century through an effort to improve standards of scientific expertise at higher education institutions. Carnegie commissioned the Flexner Report, which investigated subpar medical training and admission standards at proprietary and osteopathic medical schools, and resulted in the development of specific standards for all medical schools to adopt, which were endorsed by professional medical associations.

These examples from the field of education are among the handful of studies (see also, DiMaggio, 1991 and Bartley, 2007) that attend to the social mechanisms that foundations — particularly large foundations that possess substantial assets—employ in pursuit of institutional

change. We address this omission by bridging existing literature on the ways in which foundations shape organizational fields with literature on institutional entrepreneurship and new organizational forms.

Institutional Entrepreneurs and New Organizational Forms

The concept of institutional entrepreneurship emerged in recent decades, as scholars sought to understand the processes by which organizations initiate change that diverges from institutionalized patterns (see Battilana, Leca, & Boxenbaum, 2009 for a review). Scholars have investigated how some organizational forms gain legitimacy while others lose favor, finding that institutional entrepreneurs recombine cultural elements to frame preferred organizational forms as “necessary, valid, and appropriate” (Rao, 1998: 912; Scott, Ruef, Mendel, & Caronna, 2000; Rao, Monin, & Durand, 2003).ⁱ

For instance, Rao (1998) explains how, during the 1920s and 1930s, entrepreneurs combined cultural elements from prevalent industry standardization and home economics practices as a means of legitimating a new form, the nonprofit consumer watchdog organization. As rival entrepreneurs developed an alternative form that brought in additional elements of worker rights, political contention and competition over the initial and alternative forms ultimately determined the dominance of one form (Rao, 1998). In another example, Lawrence and Phillips (2004) discuss how the commercial whale watching industry in British Columbia was framed using a combination of resonant cultural elements from anti-whaling advocacy practices, positive depictions of whales from popular movies, and the regulatory environment of commercial whale hunting. Other studies (Maguire, Hardy, & Lawrence, 2004; Suddaby & Greenwood, 2005) emphasize the use of discursive frames by institutional entrepreneurs to

diagnose existing organizational shortfalls and to justify new, divergent organizational forms to stakeholders (Battilana et al., 2009).

In this paper, we conceptualize foundations as institutional entrepreneurs. In a classic definition of institutional entrepreneurship, DiMaggio states, “new institutions arise when organized actors with sufficient resources (*institutional entrepreneurs*) see in them an opportunity to realize interests that they value highly” (1988: 14). DiMaggio’s emphasis on possession of “sufficient resources” is well suited to describe foundations. Our contribution to philanthropy scholarship is to illuminate social mechanisms by which foundations elevate new organizational forms. We discuss our case selection below.

Methods

Within the education field, charter schools first emerged in 1992 as a reform that emphasized deregulation and decentralization of school authority to local stakeholders (Nathan, 1996). In 2005, we noticed that a number of newly established charters were managed by organizations that operated multiple schools through central administrative offices with coherent branding across sites. Early on in our investigation, we discovered that a group of high-profile philanthropic foundations were key funders of these organizations, which received a disproportionate share of overall charter school philanthropy. We determined that this phenomenon represented a revelatory case (Yin, 2002) and constructed a qualitative study that asked: How did philanthropic foundations use social mechanisms to elevate the charter management organizational form? Below, we provide contextual background on charter schools.

Charter Schools and the Origin of the CMO

Charter schools are publicly funded, privately managed schools that are formed through legal agreements with an oversight entity, typically a local school board. The “charter” details elements such as the school’s educational mission and the support that the school district will provide. Charter schools are authorized to operate for a specified number of years and must petition for renewal at regular intervals, which is awarded contingent on satisfying specific academic accountability measures. In exchange for increased accountability, charter schools are granted autonomy from portions of state education law. In the two decades that the charter method of school reform has existed, it has garnered considerable interest from the largest foundations engaged in education grantmaking (Hess, 2005).

Three primary variations of the charter school organizational form exist— the standalone school, the education management organization, and the charter management organization (Wells, Grutzik, Carnochan, Slayton, & Vasudeva, 1999; Henig, Holyoke, Brown, & Lacireno-Paquet, 2005; Miron, 2008). Standalone schools are single schools that are independently managed and locally operated. Education management organizations (EMOs) and charter management organizations (CMOs) are organizations that operate two or more schools and maintain some centralized control over school-level curricula, operations, administration, and culture. EMOs, however, are for-profit enterprises designed to generate financial returns by managing large numbers of school sites (Bulkley, 2004), whereas CMOs are nonprofit organizations.ⁱⁱ

Despite enthusiasm for the charter method of school reform, by the late 1990s standalone and EMO charter forms faced growing criticism. The standalone form was regarded as operationally inefficient and overly focused on administrative survival at the expense of student

learning (Nelson et al., 2000), while the EMO form's profit motive raised suspicion among parents, teachers, and advocates, diminishing its legitimacy (Miron, 2008). Generally, the first decade of charter reform did not produce the transformative results that its proponents desired (Finn, Manno, & Vanourek, 2000). The CMO form arose in the late 1990s within this context and has diffused rapidly since then (Lake et al., 2010).

Data and Procedures

Data were derived from three primary sources: archival data, participant and non-participant observation, and interviews. We limited our study's scope to the state of California, an early adopter of several trends related to charter schools. In 1992, California was the second state in the U.S. to pass legislation authorizing charter schools. Approximately 438,000 students are enrolled in California charter schools (California Department of Education, 2012). For the 2010-2011 school year, California enrolled the largest number of charter school students of any state, accounting for just over 20% of the total national enrollment of approximately 1.8 million charter school students (National Center for Education Statistics, 2012).

California is the origin of the CMO form and is currently home to the largest number of CMOs in the U.S. (Quinn, Oelberger, & Meyerson, 2012). Additionally, all three members of the research team have professional experience in education contexts in California, and one author has significant connections to both charter schools and funders in the state. For these reasons, we determined that it was appropriate to limit the study to a single state. We discuss the implications of this decision in the concluding section.

We developed a comprehensive database that distinguished between types of charter forms, which did not exist at our study's outset. To classify the different forms, we examined

core organizational features including legal structure, funding, and leadership characteristics (Scott, 1995; Carroll & Hannan, 2000). We developed the following definition for our categorization scheme: CMOs are (1) nonprofit organizations that (2) operate two or more charter schools, (3) intend to open and operate additional schools, and (4) have some level of centralized control over school-level curricula, operations, administration, and/or culture. These features formed the basis of our initial analysis, which we added to inductively as we engaged in analysis.

We explored growth patterns across charter school forms and against foundation grant allocations from 1999 to 2005, a period that encompasses the earliest years of CMO funding. We relied on school founding, school closure, and student enrollment data from the National Center for Education Statistics Common Core of Data and the California Department of Education. We matched our school-level enrollment growth data to foundation grants, using Foundation Center directories to identify 556 charter-related grants totaling approximately \$187 million. (Because the Foundation Center tracks grants of \$10,000 and above from the nation's 6,000 largest foundations, grants below \$10,000 and from smaller foundations are not included in these figures.) We cross-checked our database with grant-level data acquired from annual reports and IRS Form 990 and 990-PF filings from a sample of CMOs and funders.

We conducted open-ended, semi-structured interviews with 41 informants, including 12 executives and senior program officers from six prominent funders, 18 founders and executives at eight CMOs, seven founders and executives of six non-CMO charter schools, and four principals of CMO-operated schools. To contextualize our interviews, we collected annual reports and other relevant archival documents from CMOs and their funders. One author periodically participated in a foundation's staff meetings over the course of 15 months, and was

given access to internal memos, presentations and grant contracts. We also participated in and observed nine different foundation-sponsored conferences, meetings and events.

We analyzed the interview and archival data using ATLAS.ti qualitative coding software, engaging in several iterations of progressively granular coding. To situate and verify the developing evidence, we composed a case narrative for each of the major organizations of interest that emerged in our analysis. A cross-case comparison process (Eisenhardt, 1989) helped refine our inferences, organize emerging themes into contextualized narratives, and facilitate analysis across organizations. After completing the coding, our final stage of analysis involved the development of themes and relationships across the entire corpus of data.

Findings

From 1999 to 2005, grants to CMOs represented an increasing share of overall charter school philanthropy among the nation's largest foundations,ⁱⁱⁱ while foundation funding for other charter school forms remained flat. During this time period, just five funders provided approximately 75% of grants to CMOs, and CMOs received more than 90% of foundation funding to charter schools. These investments fueled rapid CMO growth. In 1999, California had a single CMO—Aspire Public Schools—operating two schools. By 2005, 14 CMOs operating close to 150 schools enrolled over 18,000 students across the state. The distribution of grants is only part of the story, however. As we argue below, foundations elevated the CMO form through three social mechanisms that operated in conjunction with grantmaking. First, a prominent funder recombined cultural elements from existing organizational forms to create the CMO. Second, foundations developed and enforced evaluative frameworks that served to assess and legitimate the core structure and practices of the CMO. Third, foundations sponsored a new class

of professionals who helped to populate the CMO form with desired expertise. We detail each of these mechanisms below.

Recombining Cultural Elements From Existing Forms

The process of creating the CMO form began at the NewSchools Venture Fund (NSVF), which was established in 1999 by a group of prominent Silicon Valley venture philanthropists. NSVF was at the forefront of a new philanthropic trend towards “high-engagement” grantmaking practices, also known as “venture philanthropy,” involving significant due diligence on potential “investments,” close monitoring of outcomes, accountability for results and impact, and direct involvement of funders with day-to-day management of grantee organizations, including assuming roles in board governance and providing technical assistance (Frumkin, 2003; Moody, 2008). NSVF funded the incubation and scaling of innovative educational reforms, focusing on charter schools, with the goals of improving educational quality and access, producing economic efficiencies, and generating catalytic impact. NSVF’s co-founding CEO Kim Smith, a leader in the U.S. education reform movement with an MBA from Stanford University, aimed to accomplish this goal by purposefully recombining elements from the for-profit EMO form and the standalone form to introduce a new charter form, the CMO. Smith borrowed the EMO’s emphasis on managerial values and the standalone’s legitimacy with local communities. She coined the term “charter management organization” to distinguish the new form from its predecessors. Reflecting on her strategy, Smith (2007) told us:

[We] needed a way to name what we were talking about. I chose ‘CMO’ because I wanted to have a name that [demonstrated that] it was larger than a single charter school, but not a for-profit EMO, because I could feel the Edison backlash brewing and wanted a

separate niche that wasn't lumped in with the EMOs. [Like EMOs, CMOs] pursued scale, coherence, efficiency, and brand. [We wanted to avoid] confusing ideologues who were categorically anti-profit, but might not be anti-scale and brand.

In this statement, Smith refers to Edison Schools, the largest of the for-profit EMOs operating in the U.S. at the time. Differentiating the CMO from the EMO was key to its acceptance, as the EMO form was beginning to be broadly criticized for its profit motive in the late 1990s. One CMO official explained, "Most of the big organizations out there are... for-profits so therefore they're automatically 'evil' in the minds of some community organizations, whereas at least we're not-for-profit" (*FM, Executive, CMO Y, 8/4/05*). Another informant (employed at the same CMO) discussed the perceptions of some charter leaders, stating that EMOs were viewed as "corporate" and "in it for the business as opposed to providing students with better options" (*ZM, Principal, CMO Y, 3/6/06*). In this context, the concept of the CMO gained legitimacy as a new form that emphasized managerial acumen, administrative centralization and rapid growth (Huerta & Zuckerman, 2009)—desirable features of the EMO form—but still maintained the legitimacy of a nonprofit, thus appealing to charter school proponents who were primarily affiliated with standalone schools.

Smith helped develop a business plan for the first CMO, Aspire Public Schools (Aspire), and NSVF awarded it \$500,000 to establish five schools in five years. Aspire explicitly embraced a mission to induce systemic change through aggressive scaling, according to its CEO, Don Shalvey: "We never believed we were going to be a few schools.... We believed that our work was to grow a significant number of schools in a small number of clusters in order to create change" (Shalvey, 2005). NSVF framed the new CMO form as the "high growth, high impact" alternative to standalone charter schools (*FM, Executive, CMO Y, 8/4/05*), a framework that

especially resonated with other funders that embraced “high-engagement” practices (Frumkin, 2003; Moody, 2008; Scott, 2009). Aspire soon received additional multi-million dollar grants from several of the largest and most influential foundations making grants in the field of public education, including the Bill & Melinda Gates Foundation, the Broad Foundation, and the Walton Family Foundation.

Enforcing Evaluative Frameworks

Foundations sought to manage this rapid growth by developing and enforcing new evaluative frameworks to assess, legitimize and ultimately elevate the CMO form. These frameworks took the form of time-stamped metrics in grant contracts, which specified the milestones that CMOs were required to meet in order to receive funding. Across the funders we studied, metrics and milestones comprised three categories: educational, managerial and entrepreneurial. As one senior foundation official explained, “Milestones [have been] customized to each venture and they tend to fall in... buckets that relate to the business model of the venture and the place and its life cycle or evolution” (*JT, Executive, Funder B, 3/7/05*).

Educational metrics and milestones. Foundations included metrics designed to assess the educational rigor of CMOs, primarily in the areas of student achievement on an absolute basis and relative to the performance of comparable students in host districts, and the closing of racial and economic “achievement gaps.” Grant agreements also included such educational measures as: the percentage of low income students outperforming state means, re-enrollment of students (a proxy for student and parent satisfaction), ninth-grade completion and high school graduation rates, and college attendance rates. Funders monitored progress against milestones through “dashboards” that tracked the quality of an organization’s “educational model” and its

capacity to recruit and develop strong principals and teachers. Grant agreements also articulated milestones that indicated progress toward curricular or professional development targets, such as the following: “By [date], [CMO X] will design and implement an advisory curriculum that addresses three elements across all grades: social/emotional development, academic preparation, and college admissions” (*Grant contract for CMO X, by Funder B*).

Managerial metrics and milestones. CMOs were also evaluated using metrics and milestones that assessed progress toward managerial goals. These goals were most tangible in CMOs’ strategic business plans, which were often completed by management consulting firms contracted by foundations. Funders utilized these plans as assessment tools. As a result, the completion of an acceptable strategic plan by a management consulting firm was often a prerequisite for future funding. A foundation program officer explained the rationale:

The result is a business plan that helps the organization figure out what its path can or cannot be... The reason why we’re doing a lot of these... ‘engagements’ between the consultants and grantees or prospective grantees is that we do want decisions to be based on strategy, not simply opportunity (*ZU, Program Officer, Funder D, 8/1/05*).

In addition to business plans, funders required CMOs to build capable executive teams and boards of directors that would ensure quality and facilitate growth. It was common for foundation staff to assess the diversity of talent represented on CMO executive teams, and specifically whether teams possessed a requisite amount of business expertise in addition to educational expertise. One funder emphasized the importance of a balanced executive team by stating, “You’ll see some similar milestones for all brand new organizations to round out your executive team so that you have the complement of skill sets. If you’re a business person and you need an educator, or you’re an educator... you need a business person” (*JT, Executive, Funder B*,

3/7/05). As a result of this expectation, numerous CMOs instituted executive teams wherein one leader, often termed the “Chief Instructional Officer,” had an educational background while another, typically the CEO or COO, had a management consulting background.

The composition of boards of directors also reflected funder expectations for combined managerial and educational expertise. As one CMO leader explained:

The board... is a mix between, right now it's heavily business, but we're trying to balance between business and education. They [i.e., board members] each bring a different expertise that we have to look for. One around the scalability. One around legal matters, other ones around finance, other ones are entrepreneurial so we have kind of a mix of what we were looking for on the board (*DF, Executive, CMO Y, 9/7/05*).

CMO boards of directors also often included representatives from foundation sponsors, a situation akin to a “venture capital model of placing a member on [the] board” (*DF, Executive, CMO Y, 9/7/05*).

Entrepreneurial metrics and milestones. The most consequential set of metrics and milestones assessed CMOs' ability to scale. Informants from funders and CMOs alike underscored the necessity of scale as a criterion for funding. For several funders, the potential for scale was a primary consideration in awarding grants. A program officer explained a funding commitment to a CMO that promised to establish several dozen schools within four years, stating, “Most of our funding is to help CMOs grow” (*QX, Program Officer, Funder C, 12/14/07*).

Specific goals for growth varied across CMOs, and some funders adjusted their milestones to assess the CMO's capacity to achieve what an NSVF executive described as “relevant scale”— appropriate to the organization's theory of change. Nonetheless, CMOs held

in common the goal to scale as a distinct characteristic of the form. CMOs were often selected for funding based in part on their “scalability” or potential to have “catalytic impact” (*JT, Executive, Funder B, 3/7/05*). One program officer remarked, “We bet on those who do it well—it takes a lot of money to scale” (*QX, Program Officer, Funder C, 12/14/07*). Similarly, a funder commented:

Well, all funders want more scale faster. Always. I mean, that’s, you know, that’s a venture capitalist right there, you know? Grow. Grow more. Be bigger... [Funders] are more excited about things that are bigger because the scale of the problem is so big and so when [an organization] first came to us and had, you know, nothing really at the time, [we] were sort of frustrated at the idea that [the organization] was going to be so small: ‘Why do you think that’s going to have a national impact?’ (*JT, Executive, Funder B, 3/7/05*)

CMO leaders emphasized their funders’ expectations to achieve scale. A CMO executive noted that “all of the really big [funders] in the charter management arena ... they’re all very interested in [organizations that] scale” (*FM, Executive, CMO Y, 8/4/05*). Another CMO executive commented that funders’ growth expectations required “going gangbusters” as a condition of grant funding (*LL, Founder/ Executive, CMO V, 1/9/08*).

Organizational effects. These evaluative frameworks induced grantees to direct their attention, resources, and staffing in particular ways in order to meet specified goals, and the mix of time-stamped milestones, particularly growth targets, sometimes conflicted with CMOs’ pursuit of educational outcomes. One CMO leader explained the difficulty in pursuing educational goals while adhering to expectations for growth:

It's just common sense to us that if you grow too fast and you [establish] a hundred instead of a dozen [charter schools], that you're not going to know what's going on in the hundred the way you're going to know about [what's going on] in the dozen (*IF, Founder/ Executive, CMO Z, 1/14/07*).

However, other CMO leaders viewed their educational and growth goals as compatible:

We want to serve our kids well *and* we want that to be a catalyst for changing the system... I don't think that you can be a catalyst for changing the system without having some scale (*FM, Executive, CMO Y, 8/4/05*).

Similarly, other executives valued scaling for its potential to produce "tipping points" and facilitate "leverage" of school districts. Some organizations aspired to grow to a critical size to challenge an incumbent school district system. Two officials explained their CMO's goal to "'tip' California" by inducing urban school districts to improve "through collaboration with the district, not just necessarily confrontational" means (*DF, Executive, CMO Y, 9/7/05; FM, Executive, CMO Y, 8/4/05*). Another CMO leader described scale as a way of transforming education, to "have the same effect on public education the way FedEx affected the Post Office" (*LG, Founder/ Executive, CMO W, 1/31/08*). The leader explained:

We really like that analogy because of what 10% market share can do. The U.S. Post Office, another government monopoly... stopped making their own "yes, buts." You know, "delivery is impossible; it's too expensive; it's not possible." With [FedEx taking share] they stopped making their "yes, buts" and started doing Next Day Air as well. So, you know, Fed Ex didn't hurt the Post Office. They made it better.

The majority of CMO informants noted that operations related to scaling goals consumed their attention. One CMO leader explained, "There is pressure about getting there sooner.

Getting big as fast as possible... We're growing as fast as we can" (*BN, Executive, CMO Y, 1/10/08*). Charter school leaders who had not originally planned to grow to multiple schools explained that they were only able to access foundation funding after electing to scale:

There really was no more money to get in the same way at the school site. I had exhausted it ... it was pretty much done and we had to raise some money [for our original school] locally and so where was the money? The money was in scale. [A funder] told me point blank when he visited my school: 'I'm not giving you money [for your existing school] but if you create ten schools, I'll give you money' (*LL, Founder/ Executive, CMO V, 4/1/06*).

Another executive explained that one foundation made funding contingent on the CMO producing a plan to open 25 schools (*CN, Founder/ Executive, CMO X, 3/8/05*). In some cases, the desire for scale changed core goals. One CMO leader explained that the impetus to grow from a local community organization composed of several schools to a multi-region organization managing three times as many schools was "all about the money" available from foundations (*IF, Founder/ Executive, CMO Z*).

Sponsoring New Professionals

Foundations regarded "educational entrepreneurs"— individuals with hybrid backgrounds similar to NSVF CEO Kim Smith's— as the class of professionals best suited to populate and diffuse the CMO form. Educational entrepreneurs combined the "driven passion" of educators with an entrepreneurial orientation that valued efficiency, effectiveness and scale (*KH, principal, CMO W, 8/31/05*). Foundations funded extensive opportunities for educational entrepreneurs to develop professionally and assume CMO leadership roles. Foundations utilized

three strategies to cultivate these professionals: sponsoring convenings exclusive to educational entrepreneurs, using language to reinforce boundaries between insiders and outsiders, and anointing experts within the CMO community.

Sponsoring exclusive convenings. Foundations organized and subsidized meetings and conferences to convene emerging professionals, share knowledge, and build “a network of thought leaders,” according to one invitation. A goal for many of these events was to develop and share knowledge among members and to build “a network of thought leaders.” Events ranged from small gatherings of grantees who held similar roles (e.g., gatherings for Chief Instructional Officers or Chief Operations Officers), problem-focused conferences (e.g. on themes such as “human capital” and “going to scale”), intimate gatherings at conference facilities for a select group of educational entrepreneurs, and “network meetings” and “summits” that included an expanding pool of participants who were seen as important to or aligned with charter reform priorities, including senior politicians, school district leaders, foundation officials, individual philanthropists, and social entrepreneurs from a variety of fields. Foundations also sponsored more focused and selective events, such as annual Aspen Institute gatherings for “top education entrepreneurs, funders, policymakers, and researchers,” as one invitation read. Sponsors selected participants based on a variety of criteria, including topical expertise and interest, and invitations to these selective events reinforced the standards of expertise and values that foundations sought to develop and elevate.

Events varied in terms of selectivity and size, but even the largest meetings were by invitation, based on specific criteria. One prominent foundation-sponsored invitation-only convening for educational entrepreneurs grew from 200 participants in 1999 to over 400 in 2008 with a substantial waitlist. Furthermore, the process of developing the invitation list involved

extensive discussions regarding standards for inclusion. According to several informants, invitations to foundation-sponsored events signaled centrality within the emerging community and reinforced boundaries between insiders (those associated with CMOs) and outsiders (those associated with non-CMO charter schools) among educational entrepreneurs. A leader of a standalone charter school recalled the following:

I was running a highly successful charter in the neighborhood of the conference, and [I wanted] to attend. But [Funder B] told me I couldn't come because I didn't have enough impact... Other [CMO] leaders told me: "You'll never survive as a single school" (*CU, Founder, Charter L, 2/5/08*).

In fact, some informants argued that perceptions of exclusivity extended beyond the convenings and to the broader field, as one described: "There's no question standalones feel that we CMOs are getting too much attention and too much, too many resources. They wish the philanthropy would support them more" (*LL, Founder/ Executive, CMO V, 4/1/06*).

Using language to reinforce boundaries. Second, foundation officers and educational entrepreneurs reinforced membership criteria through language. Many informants referred to standalone schools as "mom and pop" charters – schools struggling to keep their "head[s] above water" (*LL, Founder/ Executive, CMO V, 4/1/06*). The "mom and pop" metaphor was often juxtaposed against an image of the CMO as a professionally managed, high-growth corporate chain:

Think Starbucks and McDonald's. That's what [CMO U] is like. They are the Starbucks now. They're not locally responsive. They have a brand, a model... [Referring to the plans of soon-to-be-established CMO T]: So that's no longer about local 'mom and pops' being very close. So that is very much the business difference of [CMOs]. They do

develop a brand. They work to define the brand but then the brand drives the teacher hiring, their student recruitment, and their communications with parents (*IS, Program Officer, Funder A, 8/5/05*).

Anointing exemplars. Foundations identified exemplar CMO grantees to serve as role models. For example, NSVF designated Aspire as a model organization for other grant-seekers to emulate, based on its educational results, hybrid team of educators and management professionals, and high-growth track record. Aspire leaders embraced this role by sharing business plans with new CMOs and mentoring emerging educational entrepreneurs, further cementing the network ties that funders cultivated through events and convenings. One CMO leader remarked, “You know, CMO X’s business plan, our business plan, CMO Y’s business plan, CMO S’s business plan— we’re all pretty much the same” (*LL, Founder/ Executive, CMO V, 4/1/06*). Aspire CEO Don Shalvey commented on the spirit of cooperation that early CMO leaders sought to cultivate in order to advance the form, noting, “There is an obligation to make sure that every one of the early organizations hits the mark” (*10/1/05*).

This emphasis on supporting leaders within the nascent CMO community may have facilitated the career trajectories of early CMO leaders and proponents, many who later assumed high-profile leadership roles in the field of education. For example, in 2009 Don Shalvey was hired as the Deputy Director of the College Ready initiative within the United States Program at the Bill and Melinda Gates Foundation, one of the largest supporters of CMOs. Joanne Weiss, an NSVF partner, was appointed Director of the \$4.35 billion Race to the Top initiative, a competitive federal grant program. In describing the program, U.S. Secretary of Education Arne Duncan said, “States that do not have public charter laws or put artificial caps on the growth of

charter schools will jeopardize their applications under the Race to the Top Fund” (U.S. Department of Education, 2009).

Discussion

Our study explains how foundations sought to address perceived shortcomings in U.S. public education by elevating a new organizational form. A select group of foundations accomplished this goal by engaging three social mechanisms that operated in conjunction with grantmaking. First, a foundation recombined elements of existing charter forms to generate and justify the new CMO form. Second, foundations developed and enforced evaluative frameworks that legitimated the structural components of CMOs. Third, foundations were instrumental in sponsoring new professionals who provided particular expertise and contributed to the diffusion of the CMO form. Taken together, a set of foundations elevated the CMO form by supporting and reinforcing its goals, strategy for growth, leadership staff, professional expertise, and organizational identity.

Funders’ material resources operated in conjunction with social mechanisms to advance their desired vision of educational change. This vision was rooted in funders’ preference for market-based reforms, consistent with a broader trend in the U.S. toward neoliberalism as an approach to social change. The most prominent CMO funders identified with a “venture,” “strategic,” or “high-engagement” approach to philanthropy (Frumkin, 2003; Moody, 2008), utilizing corporate management practices, holding grantees accountable to specific outcomes, and pursuing rapid growth and scale in order to produce higher return on investment. High-engagement foundations attach stipulations to their funding in the form of metrics and milestones explicated in grant agreements (Brest and Harvey, 2008). Through these metrics, funders’ values

were directly instantiated into the organizational structures of CMOs. Although substantive knowledge and practical experience (“street credentials”) is a central pathway to nonprofit leadership (Suarez, 2009), within the CMO field, funders favored leaders and leadership teams that included management credentials and entrepreneurial backgrounds. Consequently, CMOs became vehicles to cultivate “educational entrepreneurs” and foster rapid growth in the charter school field.

Our choice to limit our study within a single state limits its generalizability to other contexts. The charter school field is highly varied by state and district, and differences in legal and regulatory environments must be accounted for in order to understand the dynamics of the field. For example, states with supportive charter laws tend to receive greater numbers of charter school proposals (Renzulli, 2005), and districts with higher percentages of African American students have larger charter enrollments (Stoddard & Corcoran, 2007). These contextual factors must be accounted for to understand the patterns of proliferation of the CMO form within the charter school field. Along these lines, we also expect that the social mechanisms we observed may be employed differently in other sectors, from the arts to the environment, health care, and higher education, and therefore may not be generalizable beyond the field of education. Because critiques about generalizability are common within qualitative research, Merriam (2009) suggests that *transferability* is an appropriate corollary to assess the validity of contextually-specific studies such as this one, wherein the findings of one case may be used as a starting point to understand other settings, whether contextually similar or dissimilar in nature.

It is also important to re-emphasize that the foundation entrepreneurialism we describe was observed in a handful of large, high-engagement foundations, which are not characteristic of the broader foundation field, and our data included only those 6,000 foundations with assets

above \$10,000. Thus, the social mechanisms we describe may be limited to this group of foundations. Given the outsize effects that these foundations have had on the field, however, we argue that it is important to understand how large, high-engagement foundations function in pursuit of desired social change. We also hypothesize that the practices these foundations employed may be increasingly common in other types of foundations as well, given the rationalization of the nonprofit sector (Hwang & Powell, 2009).

To varying degrees, the social mechanisms we describe have been attended to within institutional entrepreneurship literature. Much of the work in this area has examined how cultural elements are recombined to form new organizational forms and fields (e.g., Rao, 1998; Scott, Ruef, Mendel, & Caronna, 2000; Rao, Monin, & Durand, 2003). Less focus, however, has been placed on the work of actors who enforce evaluative frameworks that are used to assess and legitimate organizational forms. Evaluative frameworks are an influential means by which institutional change occurs (Greenwood, Suddaby, & Hinings, 2002; Scott, 2008). Standards (Hwang & Powell, 2005), rankings (Espeland & Sauder, 2007), metrics (Djelic & Sahlin-Andersson, 2006), and other evaluation systems induce conformation by shaping and constraining organizational goals, structures and activities. For example, Hwang and Powell (2009) note that foundations contributed to the move toward organizational rationalization in the nonprofit sector by requiring grantees to undergo strategic planning and program evaluation. When assessments are crafted to encourage grantee alignment to structures and practices that break from institutionalized patterns of organizing, their imposition enters into the realm of institutional entrepreneurship.

Institutional entrepreneurship literature has also examined the professionalization of experts who provide knowledge that supports and validates divergent organizational forms. For

example, during the Reagan era, public health care regulation was replaced by market-based controls that favored price and service competition, leading new classes of professionals (including health economists and consultants) to enter the health care field and replace or compete with traditional medical professionals. As a result, the health maintenance organization (HMO), a form that aligned well with governance structures created by the new professionals, rapidly diffused throughout the field (Scott et al., 2000; Scott, 2004). But in the case of health care, the analytical focus is on new professionals who initiated change that breaks from institutionalized patterns of organizing (see also Hwang & Powell, 2005). Our study, however, reveals the role of *sponsors* of new professionals who initiate divergent change. In our case, because of the grantor-grantee relationship between foundations and charter schools, we regard the *sponsors*, and not solely the professionals, to be institutional entrepreneurs.

Typically, the processes we describe are the domains of different types of actors. Creative actors are often distinct from standard-setting actors, accreditation agencies and professional associations, for instance, who lay out the evaluative frameworks by which organizations are assessed, certified, and legitimized (Scott, 2008). Furthermore, standard-setters typically lack the financial resources necessary to widely disseminate their standards (Brunsson & Jacobsson, 2002). However, as we show, foundations are able to simultaneously engage in each of these social mechanisms, rendering them a unique type of institutional entrepreneur. Furthermore, these mechanisms are not neutral, but can have an impact that extends beyond individual grantees to influence entire organizational fields.

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ⁱ Organizations that share core structural features (Hannan & Freeman, 1977; Scott, 1995) or conceptions of a common identity (Carroll & Hannan, 2000) have been considered to be of the same form.

ⁱⁱ Other charter forms exist, including schools that are members of loosely affiliated networks that develop in order to facilitate fundraising, outreach, and the like.

ⁱⁱⁱ Henceforth, “foundations” or “funders” refer to those entities in the Foundation Center database.