

**Submission to the New Zealand
Productivity Commission
'More effective social services inquiry'**

Steve Thomas
PhD Scholar
Crawford School of Public Policy
The Australian National University

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More effective social services inquiry

New Zealand Productivity Commission

PO Box 8036

The Terrace

WELLINGTON 6143

Website: www.productivity.govt.nz

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Steve Thomas

PhD Scholar

Crawford School of Public Policy

ANU College of Asia and the Pacific

The Australian National University

37 Lennox Crossing

Acton, ACT 2601

Australia

Email: steven.thomas@anu.edu.au

Twitter: @SteveThomasPol

Website: www.stevethomas.org.nz

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Thank you for the opportunity to make a submission to the New Zealand Productivity Commission's 'More effective social services inquiry'. I share the Commission's concern that New Zealanders ought to have access to high quality social services, and that these services should be delivered in the most efficient ways possible.

I am a New Zealand PhD Scholar at The Australian National University's Crawford School of Public Policy. I am evaluating the impact of New Zealand educational entrepreneurs, as a kind of social entrepreneurship.

What is social entrepreneurship?

Social entrepreneurship is an activity in which ventures use a revenue-generating model to support, or provide, innovations that tackle difficult social problems. Social entrepreneurs aim to change the status quo, by improving people's welfare. In practice, this means social entrepreneurs run ventures that provide goods or services at low-cost, or maybe use business activities to support their provision, so that disadvantaged communities can have better access to them, and have the chance to enjoy a better quality of life.

The value of social entrepreneurship

I am interested in social entrepreneurship because I believe it could enable socially-minded entrepreneurs to provide alternative social services to those supplied by the government. This could be in situations where not only the government, but also commercial firms and non-profits, do not believe it is viable to provide a good or a service. It could also represent a locally-led, community response to a social problem. As such, social entrepreneurship is different to social enterprise, because social enterprises are generally businesses that provide social services on behalf of a client—often the government. In short, social entrepreneurs see opportunities to work in the spaces left vacant by other organisations.

So far, my research has focused on evaluating Partnership School Kura Hourua (PSKH) sponsors, as a kind of educational social entrepreneurship in the New Zealand school system. However, educational entrepreneurship could include other activities, such as low-fee independent schools, fast-track teacher training schemes like 'Teach First' New Zealand, or the 'In-Zone Project', which provides boarding hostels for out-of-town disadvantaged boys and girls to attend Auckland's inner-city grammar schools.

Why social entrepreneurship is relevant to the Commission's inquiry

As its inquiry continues, and even though it may be currently outside its scope, I submit that the Productivity Commission should consider how social entrepreneurs can be encouraged to start ventures that may provide services for New Zealanders who are not well-served under current arrangements. Social entrepreneurs may be able to provide goods and services more effectively and efficiently, and in ways that could help communities to develop and flourish.

To provide some basis for this claim, I have attached to this submission a paper which I have recently written that proposes a framework for thinking about the value which social entrepreneurship ventures may create, by helping people to develop the capabilities that they need to live more meaningful lives. It also presents some findings from a qualitative research study of the value that New Zealand's first PSKH sponsors plan to create, for 'priority group pupils'—that is, Maori, Pasifika, low-income and special needs pupils—and their communities. I have referred to other findings from this study in my submission, which are not included in my paper. While the value of social entrepreneurship is by no means proven, I hope this framework, and my research findings, can help spark some discussions within the Commission, and among other stakeholders, about what social entrepreneurs can do, which government agencies or other providers may not, to help provide high quality public services that can best meet the public's needs.

I have confined my responses to the three questions which are most closely

related to my research on social entrepreneurship. These are questions 4, 5 and 6, which are concerned with partnerships between the government and social service providers, and the role of social enterprises.

Question 4. What contribution do social enterprises make to providing social services and improving social outcomes in New Zealand?

The Commission's *Issues Paper* has described how social enterprises currently contribute to providing social services in New Zealand. My observation is that social enterprises, which are government contractors, may only respond to social problems that the government, and its agencies, have prioritised.

Social enterprises may maintain the status quo

Social enterprises have an incentive to respond to problems for which they can receive a funded contract. As a consequence, social enterprises might not have an incentive to respond to difficult social problems for which it is not possible to receive financial support.

Further, as contracted service providers, it is possible that social enterprises may merely be treating the symptoms of social problems. The interventions they provide could, for example, be targeted at alleviating tricky social problems, such as material poverty or family dysfunction. While this work can be helpful, and necessary, social enterprises' efforts, and the efforts of government agencies, may not be enough to change the status quo. In other words, social enterprises may not have an incentive to develop innovative responses to social problems, which could help their beneficiaries to break cycles of dysfunction, thereby changing their lives.

Social entrepreneurs can innovate to change the status quo

It is for these reasons that I believe the Commission should consider the role that social entrepreneurs might be able to play, in identifying opportunities to change the status quo, by using new or different innovations to create new combinations of resources or capabilities. For example, the PSKH sponsors that I researched have adopted a range of 'social entrepreneurship competences', through which they plan to improve the welfare of priority group pupils' communities in ways besides providing education or schooling. One sponsor, for example, has plans to provide integrated wrap-around health and education services to help the Maori community it serves to overcome decades of deficit thinking and decline. Sponsors who hold this view do not believe running a school, or improving educational outcomes, are their major priorities. Rather, they see their efforts

as part of a larger vision of community development and transformation, from one state of affairs to another.

Question 5. What are the opportunities for, or barriers to, social-services partnerships between private business, not-for-profit social service providers and government?

There are clear opportunities for social entrepreneurs to provide social services where it is hard for the government. Based on my research findings, however, it appears it was difficult for PSKH sponsors to realise their visions for social transformation, or change, because of regulatory barriers, or difficulties, and lack of access to financial and/or physical capital.

Regulatory barriers

The key regulatory barrier was how hard it was to start alternative schools to regular state schools. A popular option included running a private alternative through the tertiary or independent school systems. In the former case, sponsors' ventures, perhaps operating as Independent Training Organisations (ITO), lacked the status of a school, and the ability to teach the New Zealand Curriculum and offer national qualifications. While it is possible to start an alternative school as special character school, this can be difficult, too, because it can be hard to prove to the Ministry of Education that new special character schools are needed in the existing school network.

Sponsors also noted that the swift application process, and steep implementation curve, meant that some were struggling to start their schools on time for the beginning of the 2014 school year.

These sorts of regulatory barriers discouraged, or made it difficult, for sponsors to start ventures.

Lack of access to financial and physical capital

High start-up costs, low revenue and sometimes the lack of appropriate facilities also hampered sponsors' efforts. Sponsors noted that starting a school is an expensive undertaking—in the order of at least \$1 million in initial expenditure. There is also little, to no, money to be made from education, especially for services targeted at poor, disadvantaged children. Sponsors did not want to charge fees, as this puts up another barrier for families to access an alternative school to a regular state school. The relatively low levels of annual public operational funding for independent schools (\$41 million altogether in 2013), also makes it difficult to run a financially viable venture, outside of the regular state system, for pupils from low socio-economic backgrounds.

While sponsors believed the PSKH programme provided adequate operational funding, to the level of decile 3 regular state schools, the capital cost of a suitable school building, or facility, was another barrier to entry. The PSKH programme provided an establishment grant, to help cover sponsors' initial capital costs.

The sponsors that were granted licences to start succeeded with the help of strong social networks that provided skills, know-how, and access to the human and physical resources needed to get the schools up and running. Nonetheless, if it had not been for the PSKH programme, sponsors would have either had to continue providing their alternative schooling using *ad hoc* means, or they would not have started at all.

Summary of barriers to social entrepreneurship

This experience shows that even skilled social entrepreneurs might not take the opportunity to start a venture unless they can access the resources and capital they need. Successful social entrepreneurs are likely to have strong local networks, through which they can access a lot of the local know-how and support they need to get a venture going. That said, they still may well be hamstrung in sectors where it is difficult to access financial and physical capital, because of the high risks of failure and low returns. Regulatory barriers are also likely to frustrate social entrepreneurs. If it had not been for the opportunity to start a new school through the PSKH programme, with accompanying financial and capital support, these ventures might have remained small-scale, local ones or not have started at all. The barriers experienced by PSKH sponsors suggest some solutions for social entrepreneurs working in other sectors.

Question 6. What scope is there for increased private investment to fund social services? What approaches would encourage more private investment?

Increasing private investment could be a way of helping more social entrepreneurs to start ventures targeted at acute social problems, like the educational underachievement of New Zealand's priority group pupils. Some approaches to increasing private investment are proposed below.

1. Social impact bonds could be used more.

Social impact bonds have already been discussed in the Issues Paper, and will be rolled out at a small scale in the health system, soon. Elsewhere, their use appears to be best in sectors where clear returns can be calculated for investors. This makes social impact bonds an effective way of attracting more private investment in the health and justice systems. If

actuarial tables could be developed for the likely returns from outcomes in other sectors, then this could help to expand the use of social impact bonds to help fund the delivery of other social services.

2. **Another approach is to continue to reduce regulations** that prevent social entrepreneurs from starting ventures.

Some social enterprises, non-profits or small businesses might want to be more socially entrepreneurial. It may be helpful to survey these organisations, to determine what *rules or regulations*, if any, may prevent them from starting social entrepreneurship ventures.

3. **Tax changes are another way to encourage more social entrepreneurship.**

- (a) It is well-known, for example, that marginal tax rates affect the decision for entrepreneurial entry into the market. A *low, top marginal tax rate*, perhaps lower than the current 33 per cent, might increase entry rates for commercial, and social, entrepreneurs.
- (b) There may also be a case for introducing a '*social entrepreneurship tax credit*'. Similar to the case for R&D tax credits, a tax credit for social entrepreneurs could help to offset the losses they are likely to incur from starting a venture, and reduce some of their risks. A tax credit would also recognise the public good provided by social entrepreneurs. A tax credit could be another way of attracting more social entrepreneurs to start ventures, and bring more private resources and capabilities to the provision of social services.

4. **Consider using public-private partnerships more.**

As the *Issues Paper* describes, public-private partnerships are another way to encourage more private investment in public services. They work best when application processes and contracts are clear, and when terms and outcomes are well-specified. As with social impact bonds, they are probably most attractive in situations when there are clear returns for firms. As the PSKH programme demonstrates, in some sectors, where returns are minimal, a substantial public subsidy may still be required to encourage social entrepreneurs to enter into a public-private partnership.

5. **Divesting the management of more state assets.**

The state owns billions of dollars of assets. It may be possible to make it easier for private organisations to use some of these assets to help provide alternative social services to regular public ones. For example, in education, the state school property portfolio could be *divested, and managed*

by a *Crown entity* created for this purpose. It could allocate spare capacity in the school system to alternative providers, such as PSKH sponsors or other small, specialised private providers. In practice, this could lead the two or more schools sharing the same site. This proposal would limit new entrants' capital costs, because they would not have to provide their own facilities, thereby encouraging more private or community providers to start schools. It would also make more efficient use of the state's investment in school buildings and facilities.

Summary and conclusion

This submission has argued that the Productivity Commission should not only consider social enterprises as a more effective and efficient way of providing public services, but also social entrepreneurship. As my research shows, social entrepreneurs have the capacity to develop innovations that can transform communities, whereas social enterprises may have more limited scope for dealing with difficult social problems. It may be the difference between treating the symptoms of a problem or finding a cure.

This submission has also reviewed some barriers that educational social entrepreneurs have experienced while starting ventures in the New Zealand school system. These include a lack of access to financial and physical capital, and regulatory barriers. As such, this submission recommends that both more social entrepreneurship ventures, and more private investment in social services, could be encouraged by reducing, or removing, these sorts of barriers. Some proposals that the Commission could consider include:

- expanding the use of social impact bonds, in areas besides the health and justice systems, by developing actuarial tables;
- reducing regulatory barriers to social entrepreneurship in each sector, according to what potential social entrepreneurs say these are;
- tax changes, such as a lower top marginal tax rate;
- a social entrepreneurship tax credit;
- using public-private partnerships more; and
- devolving the management of more state assets, where possible, to Crown entities.

I believe my proposals align with the Commission's terms of reference to examine new and different ways of delivering high quality public services to New Zealanders. I believe that social entrepreneurship could make a difference in this regard. As this submission is brief, and my research is not yet complete, I would

enjoy the opportunity to continue discussing with the Commission the case for social entrepreneurship, and how social entrepreneurs could provide effective and efficient social services—within the education sector and elsewhere.

Yours sincerely,

Steve Thomas, PhD Scholar

Attachment:

'Putting a Value On It': How New Zealand educational entrepreneurs plan to create value

Paper presented at the 2014 'Innovation and Societal Entrepreneurship Research Colloquium @RMIT', Melbourne, 26-28 November.

Abstract

Much has been made of the promise that social entrepreneurs can harness the power of free enterprise and innovation to solve difficult problems facing disadvantaged communities, whose needs are neglected by the government, the free market or even the non-profit sector. This research explores the kind of value educational social entrepreneurs who run a new kind of public-private partnership school in the New Zealand education system plan to create. It is proposed that social entrepreneurs plan to create value by contributing to human development, through innovations which carry out new combinations of human capabilities. The findings show that this framework can describe and explain the value that educational entrepreneurs plan to create, as a kind of social entrepreneurship. Educational entrepreneurs plan to create value not only through improving educational outcomes, but also by enhancing complementary capabilities that affect educational achievement and welfare—such as deepening pupils' cultural competences, and addressing family dysfunction, poor health or material poverty. These findings suggest that educational entrepreneurship could well improve the fortunes of marginalised communities.

Introduction

Social entrepreneurship has been praised as a way to help solve difficult problems facing communities around the world, such as alleviating poverty, providing better health care or low-cost loans to the poor (Seelos and Mair, 2005; Alvord et al., 2004). There has also been interest in social entrepreneurship as an alternative to state-provided welfare (for example, Shaw and de Bruin, 2013; Leadbeater, 1997). Where the free market, governments and the non-profit sectors have not provided solutions, entrepreneurial organisations and individuals have taken the opportunity to use innovations that might help communities to flourish (Kerlin, 2010; Weerawardena and Mort, 2006). The hope is that because social entrepreneurs are often embedded in local communities (Smith and Stevens, 2010; Mair and Marti, 2006; Granovetter, 1985), they might stand

a better chance of improving the lives of those whom they serve than those organisations which are more distant, and may be less aware of their needs.

Even after about 30 years of interest and research in social entrepreneurship (Lehner and Kansikas 2013, p. 3; Granados et al. 2011; Trivedi, 2010), this statement remains more hope than fact. Evaluations of social entrepreneurship ventures (SEVs) have tended to be localised and qualitative (Dacin et al., 2011, pp. 165–6). This is partly because scholars have busied themselves with debating what social entrepreneurship is, and because there is uncertainty about how SEVs should be evaluated (Ruebottom, 2011). Questions exist about what mix and balance of metrics should be used, as SEVs have social and economic objectives and are accountable to multiple stakeholders. Questions also exist about what the value is, if any, that SEVs create (Ormiston and Seymour, 2011, p. 126ff; Young, 2006, pp. 56–8). What does value mean to a social entrepreneur? How is the value an SEV creates different to a commercial enterprise, government agency or non-profit?

Answering these questions is an important step towards testing the claim that SEVs are an effective alternative to other kinds of welfare provision. This paper takes them up, by examining the value that some educational, social entrepreneurs—or ‘educational entrepreneurs’—in the New Zealand school system want to create. It reports findings from semi-structured interviews, and supporting primary source analysis, with four successful and five unsuccessful sponsors that applied for a contract to run a new kind of public-private partnership school, known as ‘Partnership Schools Kura Hourua’ (PSKH), in 2014. These PSKH sponsors were studied because the introduction of this new kind of publicly-funded free school offered a rare opportunity to examine why a cohort of educational entrepreneurs wanted to start new ventures and what they hoped to achieve. In short, the paper investigates what the value is, if any, that New Zealand’s new PSKH sponsors want to create that is different to regular state schools.

All of the sponsors interviewed plan to create value by meeting unmet educational needs among the communities whom they plan to serve (Di Domenico et al., 2010, p. 686; Seelos and Mair, 2005, p. 246; Guclu et al., 2002, p. 4). This is primarily to address the under-achievement of New Zealand’s ‘priority group pupils’—that is, Maori and Pasifika pupils, low socio-economic status pupils, and pupils with special education needs or abilities (Education Review Office, 2013, pp. 8–9). Another important finding is that most sponsors displayed some kind of ‘social entrepreneurship competency’ (cf. Chand and Amin-Choudhury, 2006). That is, they want to perform activities that are not directly related to providing education or running a school, but should help to provide communities with the skills or resources which they needed to help their children to learn, and/or to develop the capabilities that both they, and their children, need to participate well in New Zealand society.

The research contributes to the ongoing development of the social entrepreneurship literature. The findings confirm that social entrepreneurs spe-

cialise at exploiting opportunities that no one else in the three-sector economy does, or perhaps can, through innovation (Santos, 2012; Pierre et al., 2011; Zahra et al., 2009; Mair and Marti, 2006; Thompson et al., 2000). The findings support the idea that social entrepreneurship ventures create value by acting 'as social change agents' that 'imagine and carry out new combinations of capabilities' (Ziegler, 2010, p. 267). A better understanding of value creation can help to evaluate educational entrepreneurship ventures (EEVs) against the goals which they set. Moreover, the research supports the case that social entrepreneurship may not only provide innovative solutions to tough problems, but that it can also contribute to human development.

Value creation in social entrepreneurship

Identifying what may make an EEV distinct from regular state schooling can help to understand—and evaluate—what the value is that educational entrepreneurs want to create, as a kind of social entrepreneurship. The first step is to define what social entrepreneurs do—what is their role in the economy? This reveals what SEVs' goals are, and so the kinds of value they intend to create. For social entrepreneurs, there is much more to value creation than the economic wealth which commercial entrepreneurs create for society (Venkataraman, 1997).

What is social entrepreneurship?

The first issue in defining the role that social entrepreneurship plays is the perplexing question of what social entrepreneurship is. However, it seems the only issue that those studying social entrepreneurship can agree on is that they cannot agree on what it is (Nicholls, 2010, p. 611). Choi and Majumdar (2014, p. 364), for instance, have described how researchers have studied: entrepreneurs starting social businesses whose primary purpose is to serve the poor; non-profit organisations searching for new sources of revenue, from running a side-business; or organisations that use innovations to solve social problems and bring about change, without necessarily using a business model.

With all this diversity, researchers are still attempting to clarify what social entrepreneurship is, lest it continue to suffer from a perceived, or real, lack of legitimacy as a phenomenon. This could make it unworthy of study in its own right, because it does not create value which is distinct from commercial entrepreneurship, corporate social responsibility, the government or the non-profit sector. Without such efforts, it will be difficult for social entrepreneurship scholars, or evaluators, to conduct empirical research of why SEVs start and what their impacts are (Short et al., 2009, p. 162).

The definitional debate can be cut through if social entrepreneurship is conceptualised as a distinct kind of entrepreneurial innovation. (Luke and Chu, 2013, p. 766; Mair and Marti, 2006, p. 37). This is because innovation is at

the heart of entrepreneurship. Innovation is the capacity to identify opportunities, judge risk and employ new or different methods to change—and hopefully improve—the way goods or services are delivered (Sharma and Chrisman, 2007; Shane and Eckhardt, 2003; Burgelman, 1983; Kirzner, 1979; Schumpeter, 1934). The propensity to innovate distinguishes SEVs from other organisations that share similar social objectives.

Social entrepreneurship should be conceptualised as an innovative activity through which ventures use a revenue-generating model to carry out new combinations of resources or capabilities to meet unmet needs, thereby improving welfare and creating value. Linking social entrepreneurship to established entrepreneurship theory (Swedberg, 2006)—while not claiming that it is just a sub-species of entrepreneurship (Dees, 1998)—can help to theorise how ventures create distinctive kinds of value besides economic value; an issue to which attention will shortly return.

What is the value created by social entrepreneurship?

Most researchers tend to call the value that social entrepreneurs create besides economic value 'social value'. However, distinguishing between 'social' and 'non-social' value raises thorny issues about what kinds of value, which activities, and for whom, are social (Santos, 2012, pp. 335–6). For example, is a venture that sells mobile electronic devices at a reduced price any less 'social' than one that runs a programme to provide free lunches for poor school pupils?

To avoid the social-economic distinction, it is proposed—as has been implied until now—that value should be thought of holistically, rather than as an activity that takes place on a continuum between two poles. Santos' 2012 positive theory of social entrepreneurship provides a framework. Santos calls it a positive theory because he argues, from economic and blended value theory (Emerson, 2003), that value should be thought of generically, as the increase in utility—or welfare—of society's members (p. 337). This holistic understanding of value enables Santos to claim that social entrepreneurs prioritise activities that increase the aggregate welfare of society over appropriating a portion of the value created from an activity. Social entrepreneurs are attracted to opportunities that have a high potential for value creation, but may have little prospect for value appropriation (p. 340).

This attraction to value creation means that social entrepreneurs are more likely to see opportunities in situations where there is little gain, or it is impractical, for anyone but those who prioritise value creation to act. As Santos has put it (p. 342, 344), the distinctive domain of social entrepreneurship is to address severe market failures, especially where strong positive externalities exist, by providing beneficial goods or services that firms, non-profits or governments would not have otherwise supplied. The kinds of problems that social entrepreneurs are likely to address are localised ones affecting marginalised, disadvantaged groups. As regular markets do not work, social entrepreneurs are

also likely to partner with a variety of local actors in the communities whom they serve and use a range of institutional forms, such as community enterprises or government partnerships, to ensure the solutions they provide are sustainable (Santos, 2012, p. 345; cf. Peredo and Chrisman, 2006) An effective venture is one that delivers upon its business case, or value proposition, and improves the welfare of those involved with or served by it (Santos, 2012, p. 346). Value creation can be thought of as providing ventures' partners or beneficiaries with the skills or resources they may need to improve their livelihoods (p. 347).

Santos' positive theory demonstrates that social entrepreneurs can create value by improving the overall welfare of society, through their specialised role at addressing neglected social problems. The motivations, methods and sought-after outcomes of social entrepreneurs is what distinguishes their ventures from other forms of social-orientated activity within, or across, the commercial, state or non-profit sectors. Social entrepreneurship challenges the logic of conventional market economics, by showing that commercial activity can be motivated by a regard for the well-being of others ahead of self-interest (Santos, 2012, p. 350; Jones et al., 2007).

What specific kinds of value do social entrepreneurs create?

What kinds of value do social entrepreneurs create by tackling neglected social problems? Few researchers have theorised about precisely what value creation is to evaluate the impact, if any, of SEVs. There are, however, enough strands to provide a working framework.

Different forms of value or capital

As discussed, value might be created by providing a new good or service, or improving outcomes. The specific kinds of value that SEVs may create can be categorised not only as economic value, but also relational value, natural value or cultural value (Ormiston and Seymour, 2011, p. 128). Economic value can be thought of as financial profit, at the level of an individual or a venture, or the wealth that accrues at the systems level, such as the nation. Relational value is the value that comes from personal relationships, either from reciprocation between, or conveyed to, others. Natural value is the value that can be derived from natural ecosystems or environmental resources. Cultural value refers to the value that comes from individuals having 'cultural capital', from acquiring sought-after material and symbolic goods. Having these goods can grant them power and status (Bourdieu, 2008). These categories are similar to different conceptions of capital—that is, economic (such as GDP or wealth levels), human (such as education levels), social (such as trust and civic participation levels) and natural (such as natural resource stocks)—that have been recognised should be counted in well-being assessments (see, for example, Treasury, New Zealand, 2011). Having just argued for a holistic concept of value, the point of identifying

these different forms indicates that SEVs might create several simultaneously which are incommensurable; although the relative weight given to them may vary between beneficiaries, partners and social entrepreneurs. As indicated before, SEVs are likely to prioritise creating relational, natural or cultural value, or human, social or natural capital, above economic value or capital. Any economic value a venture generates is likely to provide revenue, to ensure it is sustainable.

Innovation processes

Besides the product, the processes which SEVs use may also create value, for their partners or beneficiaries. This observation shows how innovation plays an essential role in how SEVs create value. Innovation processes create value because they help systems to adapt through change, which can make them more resilient (Antadze and Westley, 2012, pp. 136–7). Further, because innovation involves introducing new goods or services, such as new patents or medical science, that can change 'the basic routines, resource and authority flows, or beliefs of the social system in which the innovation occurs' (p. 133), SEVs can create intermediate forms of value, principally through combining resources in new ways, and by creating intermediate goods that contribute to their missions.

Human development—through new combinations of capabilities

This discussion shows that social entrepreneurship creates value through human development. By introducing new or different innovations, SEVs create value by imagining, and then producing, new combinations of capabilities—that is, providing their beneficiaries with the skills or resources which they need to develop as people, so that they can meaningfully participate in society. As Ziegler (2010) has proposed, this proposition comes from marrying Schumpeter's theory of how entrepreneurial innovation can bring about change, including social change, with Sen's (1999) human capabilities framework.

Schumpeter conceptualised development as innovation, with entrepreneurship at its core. For Schumpeter, entrepreneurship explained why market systems change, since he believed it was a kind of economic development. Contrary to popular belief, Schumpeter's account of entrepreneurship was not only economic, it was social, too (Swedberg, 2006, p. 33), since its purpose is development through innovation. Swedberg (2009) argues this can be seen in how Schumpeter believed that all entrepreneurs: are creative; want to combine resources in new or different ways; and engage in 'creative destruction', which constantly forces systems to adopt new solutions to problems. According to Schumpeter, Swedberg argues, social entrepreneurship is another kind of development; it is the 'successful introduction of social change, through a new combination of elements that make up some way of doing things' (2009, p. 99).

Sen, by contrast, believed that development is associated with the expansion

of human capabilities. The core of the human capabilities approach are human 'functionings' (Sen, 1999, p. 75). They refer to such states as being well-nourished, being able to participate in the activities of community life and having self-respect. A person's capability is the combination of functionings that are feasible for him or her to achieve. These include to live a life of reasonable length, to have good health and to participate effectively in politics. Protection of an ecosystem that sustains these basic goods is also important. The balance and mix of capabilities will vary between places and situations, but they remain basic goods necessary for people to live well. In the words of Yujuico (2008, p. 503), social entrepreneurs want to remove hindrances that prevent people from living 'fully human' lives.

The development of human capabilities is what ties together Schumpeter and Sen's approaches to change—and value creation (Ziegler, 2010, p. 264–8). According to Sen, change, as seen in people freely developing their capabilities, occurs when complementary capabilities, like literacy and civic participation, strengthen each other. Thus, human freedoms can develop, positive change occur and value be created when people can experience, or have access to, new combinations of capabilities. According to Schumpeter, innovation is the process by which new combinations come about. Combining the two approaches suggests that innovation can be social and developing capabilities entrepreneurial (2010, p. 257).

This framework also enables both the ends and means of development to be combined in a single value creation framework, since capabilities are both the drivers and the benchmarks of development. This can bring an ethical dimension to the evaluation of SEVs. Ventures which advance some capabilities, such as through technological developments, could harm others, such as environmental quality; and/or be more or less respectful of the different values that partners, beneficiaries, and the broader community, might hold (cf. Cho, 2006). These are important issues, because SEVs' impact could be mixed, or negative, depending on which aspects of their performance are evaluated.

Notwithstanding these concerns, this discussion leads to the proposition that social entrepreneurs are change agents, who exploit opportunities to use innovations that can create value by providing new combinations of capabilities (Ziegler, 2010, p. 265). Conceptualising value creation as human development means it can be empirically tested—by examining not only outcomes, but how well capabilities may reinforce each other.

Summary: Value creation in social entrepreneurship

In summary, conceptualising social entrepreneurs as those who prioritise value creation over value capture in addressing unmet needs, through innovative activities whose intent is to develop human capabilities, provides a testable theory of social entrepreneurship. Importantly, it situates social entrepreneurship within existing theories of entrepreneurship and development. This can help to legit-

imate social entrepreneurship research, by linking it to two existing fields of study (cf. Choi and Majumdar, 2014), and by helping research to progress from repetitive examinations of what is 'social' about social entrepreneurship. Before SEVs can be evaluated with this framework, in-depth qualitative research is required, to understand the relationships between various human capabilities and how different innovations can develop them, in different places and situations. In this research, the question is whether this capabilities development framework can describe and explain the value that EEVs may intend to create.

Setting

Starting with a qualitative study is also appropriate, because social entrepreneurship research is highly affected by context (Douglas, 2013, p. 7). There are particular opportunities and constraints, from within the social fabric of New Zealand, the political and institutional setting and the education system, which affect why educational entrepreneurs, and PSKH sponsors in particular, might want to start a venture.

Social setting

New Zealand has a small, but diverse, population of about 4.4 million people. Maori are New Zealand's *tangata whenua* (indigenous people of the land). In 2013, 15 per cent of New Zealand's population identified as Maori. Seven per cent identified as Pasifika, while 12 identified as Asian (Statistics New Zealand, 2014). Population projections also show that within the next five years over half of school-age children will identify with multiple, non-European ethnicities (Nusche et al., 2012, p. 14), as New Zealand's ethnic minority populations grow faster than non-Europeans (Statistics New Zealand, 2010).

Political and institutional setting

New Zealand was at the forefront of so-called 'neo-liberal' reforms during the 1980s and 1990s. Among other changes, the public sector was reorganised according to New Public Management theory, with ministries reduced or rationalised, and many services put on a contract basis (Boston et al., 1996). The education sector was subject to these sorts of changes. In 1989, the education system was rationalised with the passage of the Education Act 1989. Local education boards were abolished and the leadership and governance of schools was devolved to school principals and boards, respectively (Langley, 2009, p. 8). A streamlined Ministry of Education was created to oversee the education system, while a separate agency, the Education Review Office (ERO) was established to evaluate schools.

While a national curriculum has existed since the 1990s, New Zealand has never had a system of compulsory standardised tests (Crooks, 2002). Instead,

pupils are assessed largely within schools, at the primary level (Years 1 to 8), with national literacy and numeracy standards, and, at the secondary level, with a standards-based qualification, the National Certificate of Educational Achievement (NCEA).

The Education Act 1989 provides for four basic types of state schools, namely: regular state schools; designated special character schools, including private religious schools that have integrated into the state system; *kura kaupapa* Maori worldview and language immersion schools; and, from 2013, PSKH (act, a, ss 146, 155, 156, 158D). These schools operate at the primary, intermediate and secondary levels. Composite and middle schools also exist (act, b). Alternative Education (AE) services provide learning opportunities for pupils who cannot learn in regular state schools, and have fallen out of the system, because of problems such as truancy or behavioural issues (Te Kete Ipurangi, 2014). A small independent schools sector also exists, which has about four per cent of enrolments (Nusche et al., 2012, 16), and in 2013 received a capped amount of NZ\$41 million in annual funding from the government. Various kinds of state schools, which have a reasonable degree of autonomy over how they run and educate their pupils, are the most common kind of compulsory schooling in New Zealand.

Educational setting

The performance of New Zealand's education system is generally regarded as high, although international benchmarking test results have given cause for concern about a proportion of pupils who consistently underachieve (Nusche et al., 2012, p. 13). Maori and Pasifika pupils are highly represented among these under-achievers. The 2012 OECD PISA evaluation, for example, showed that average scores for Maori and Pasifika pupils were below the OECD average and the average of other New Zealand pupils in mathematics, reading and science. Thirty-eight per cent of Maori pupils achieved below the minimum level of competency (Level 2) in mathematics, 27 per cent in reading and 25 per cent in science (May et al., 2013, p. 30). Forty-six per cent of Pasifika pupils achieved below the minimum standard in mathematics, 34 per cent in reading and 38 per cent in science (May et al., 2013, p. 33).

Much energy has been expended on developing approaches to address this educational under-achievement, including tailored government strategies for both Maori and Pasifika education (Ministry of Education, 2013e; Ministry of Education, 2013h). Some educators are concerned, however, that the government is asking schools and teachers to solve a problem that they cannot address alone, since it is partly caused by material and relational poverty (cf. New Zealand Post Primary Teachers Association (PPTA), 2013).

New Zealand educational entrepreneurs have opportunities to serve diverse communities, meet some pressing educational needs and provide alternatives to regular state schools. Educational under-achievement is a complex problem,

which is likely to require whole-of-community solutions to properly address. Educational entrepreneurs may be well-placed to develop sustainable solutions, by working with families, communities and supporters, to fill gaps in the state and independent school systems.

New Zealand's PSKH programme

New Zealand's PSKH programme is one response to providing alternative solutions to educational under-achievement. The programme emerged from a coalition deal reached between a minor libertarian political party, the Association of Consumers and Taxpayers (ACT), and the governing centre-right National Party, after the 2011 general election, to introduce a model of charter school, similar to those in the United States and England, but specifically targeted at priority group pupils (New Zealand National Party, 2011). Consistent with the charter school model, New Zealand's PSKH are publicly-funded free schools (Ministry of Education, 2012). They are run by a private sponsor, which may provide their own physical and financial capital, and receive equivalent per pupil operational funding to a decile 3 (low socio-economic status) regular state school (Ministry of Education, 2013b, p. 5). PSKH can be considered a kind of public-private partnership, between the New Zealand Crown and an entrepreneurial organisation, such as a trust, community group or an education company.

New Zealand's PSKH have more autonomy than regular state schools, such as the freedom to have a different length of school day or year, offer a different curriculum to the national curriculum, have a specialist focus or employ non-registered teachers. In return for these freedoms, PSKH are required to meet strict educational targets, including having a roll of which 75 per cent are from priority groups, and achieving the Government's target of 85 per cent of pupils achieving NCEA Level 2 by 2017 (Ministry of Education, 2014, p. 60). Two restrictions are that PSKH are not allowed to charge fees, nor turn away pupils if they have spare places. As PSKH are subject to strict accountability, the Ministry and the ERO will evaluate the schools.

The programme's development, and the process for awarding the first contracts, was swift. A Working Group, with limited support from the Ministry of Education, developed the New Zealand model in 2012 (New Zealand Government, 2012), with legislation passed by parliament in early 2013 (act, b). Applications from interested parties were called for before the legislation was passed. Thirty-seven applications were considered by the Ministry (Ministry of Education, 2013j, p. 4), and an independent Advisory Group, in three stages, over about nine months (Partnership Schools Working Group, 2012, p. 4): (1) an initial indication-of-interest stage, to screen out unsuitable applicants; (2) submission of a written application; and (3) an interview stage, from which those were selected who the Minister of Education decided would be awarded a contract. Five successful applicants were announced in September, which gave contractors four months to prepare to open their schools, in February 2014, at

the beginning of the school year. The process represented a steep implementation curve for sponsors and central government agencies.

Methods

With PSKH being brand new, exploratory research, which could provide 'rich descriptions', was required to test the proposed capabilities development framework of value creation (Denzin and Lincoln, 2000, p. 12). A case study strategy was used, with a sample of PSKH sponsors. The case study strategy enabled a range of perspectives to be collected, to test and develop theory, and to make cross-comparisons, to improve the robustness of the findings (Yin, 2014; Eisenhardt, 1989, pp. 547–8). A case study approach also provided the opportunity to deductively and inductively test and develop theory, as data was collected and analysed (Patton, 2002; Miles and Huberman, 1994). This flexibility was important (Eisenhardt, 1989, p. 548), given that little is known about exactly what kinds of value social, not to mention educational, entrepreneurs may want to create (Haugh, 2012, p. 12). It was also important for observing the mechanisms, and complex underlying processes, through which PSKH sponsors might create value (Westhorp, 2012, p. 406; Pawson and Tilley, 2004, pp. 2–9; Denzin and Lincoln, 2000; Miles and Huberman, 1994, p. 4)

Design

With developing evaluation benchmarks in mind, the research design was influenced by the need to identify what value creation looks like. Brinkerhoff's (2005; 2003) Success Case Method (SCM) was selected with this purpose in mind. The SCM is an approach to evaluating training and performance by examining successful and unsuccessful cases to improve organisational learning. The SCM can help to evaluate how well an innovation is used when its potential is unknown (Brinkerhoff, 2005, pp. 50–1). This is the case with PSKH, as it is unknown exactly how sponsors might plan to create value, which is different to regular state schools.

The SCM works by gathering stories from those who have been most successful and unsuccessful at training schemes, and verifies them against other forms of supporting evidence, such as usage records or skills assessments (Brinkerhoff, 2005, p. 91). By concentrating on outlying observations (Brinkerhoff, 2005, p. 92), the SCM aims to 'illustrate the nature and scope of the success the program helped to produce' and what might prevent success (Brinkerhoff, 2005, p. 91). The SCM also identifies and explains the contextual factors that distinguish successful from unsuccessful adopters of new programmes or initiatives. It is a more direct, and time and resource efficient approach, than methods which involve random sampling and the construction of control and treatment groups. Moreover, it provides a varied selection of cases, that can be used to

make quick, exploratory distinctions between cases that could not be discerned from examining the average.

Sample

The SCM influenced the choice of cases. As mentioned before, nine sponsors were interviewed, drawn from a pool of 13 successful and unsuccessful sponsors, to provide the variation required by the SCM. These were the first five successful sponsors, six sponsors which made it to the interview stage of the application process, and two which had high quality applications, but voluntarily withdrew after the interview stage (Ministry of Education, 2013d, p. 7). Four successful sponsors agreed to participate, as well as five of the unsuccessful ones. The sample thus included two groups of high quality applicants, which had well-formed and supported cases for running a PSKH, distinguished only by how one group was successful at receiving a contract.

The selection of cases was also influenced by purposeful sampling (Kaczynski et al., 2014, p. 132; Patton, 2002). As the purpose of the research was to explore why sponsors started their ventures, it was important to sample cases that had well-developed value propositions. According to the Ministry, low quality applicants did not define their value propositions well, or how they would have achieved them. They had interesting ideas, but not the kind of strong proposals that would have been helpful for this research. This is why the sample was restricted to higher quality applicants.

The four sponsors that were awarded a contract were: (1) the Villa Education Trust—which runs a middle school for Years 7 to 10 pupils, in Clendon, South Auckland, providing academic and values education; (2) Advance Training Centres Ltd. (ATC)—which runs a military-style senior secondary school for Years 11 to 13 pupils in Albany, North Auckland; (3) the He Puna Marama Trust—which runs a secondary school for Years 9 to 13 pupils in Whangaruru, Northland, providing a traditional Maori *marae* (meeting place) -style education; and (4) the Nga Parirau Matauranga Trust—which runs a secondary school for Years 9 to 13 pupils in Whangaruru, Northland, specialising in agriculture, horticulture and outdoor education, and with a focus on Maori *tikanga* (heritage and customs).

The five unsuccessful sponsors were: (1) the Nga Kakano o te Kaihanga Trust—which would have run a composite school for Years 1 to 13 pupils in Henderson, West Auckland, providing Christian and Maori worldview education; (2) the Manukau Christian Charitable Trust (MCCT), which would have run a primary school for Years 1 to 4 pupils in Manukau, South Auckland, providing early years' literacy and numeracy, and Christian values education; (3) Te Kohao Health Ltd.—which would have run a middle school for Years 7 to 10 pupils in Hamilton, providing Maori education primarily for mainstream-educated Maori pupils; (4) the 180 Degrees Trust—which would have run a secondary school for Years 9 to 13 pupils in Christchurch, and the Canterbury high country, providing

a high country experience for excluded pupils; and (5) the C-Me Mentoring Foundation—which would have run a senior secondary school for Years 11 to 13 pupils in Papatoetoe, South Auckland, providing a trades academy.

More characteristics of these PSKH, and some comparisons with regular state schools, are presented in appendix 1.

Data collection and analysis

Semi-structured interviews were conducted with each sponsor at the beginning of the 2014 school year. The timing of the interviews was deliberate. It enabled sponsors to describe why they started their schools, and what the value is they intend to create, after they had finished establishing it, but before they became absorbed by the demands of running a school. If sponsors had been asked about starting their schools later, the experience of running a school could have changed their views.

The interviews were, on average, about two hours long. They covered a set of pre-determined questions, deduced from the value creation literature. This is how the research tested emerging propositions about value creation. The discussions sometimes ranged wider than the set questions. For example, the issues of open enrolment schemes, the influence of poverty on educational outcomes, and setting achievement targets, all emerged from early interviews, and were incorporated into subsequent ones. These shifts between deductive and inductive reasoning supported both testing and affirming interpretations, and the recognition of complex meanings (Kaczynski et al., 2014, p. 132). Inquiry remained open to the complex phenomenon under study, by exploring unknown, or unconsidered interactions or relationships (Creswell, 2009). In this way, the researcher acted as the instrument for developing meaning from the data (Geertz, 1973).

Primary source documents, such as sponsors' internal planning documents, and school newsletters or prospectuses, were collected, where available, as per the SCM, to help support the claims that sponsors made in their interviews. Official documents released by the Ministry of Education in 2013, including sponsors' applications, contracts for successful sponsors, Cabinet minutes and briefing papers from the policy development and application processes (Ministry of Education, 2013g), were another source of supporting primary documents. Sponsors' applications and contracts, for successful sponsors, provided invaluable information about their objectives and what they wanted to achieve by running a PSKH.

Once the interviews were completed, each one was summarised, and transcripts were compiled. The transcripts, along with the primary source documents, were coded and analysed using NVivo 10 qualitative data analysis software (QDAS), using conventional approaches to coding and analysing qualitative data (O'Neill, 2013; Bryman, 2008; Patton, 2002; Bazeley and Richards, 2000; Richards, 1999; Miles and Huberman, 1994). An initial, broad, coding scheme

was devised, based on the value creation literature. Sponsors' responses were coded to nodes based on the key ideas and themes in the literature, and for each interview question. Emerging patterns and themes were analysed by retrieving content coded at particular nodes, and by running word frequency queries and word frequency cluster analyses at each question, and associated nodes covering similar ideas, to verify whether, and to what extent, these patterns and themes were valid. Framework and matrix queries were used to compare and contrast sponsors' responses to each question, and according to emerging themes and patterns, to identify and record supporting evidence. Finally, sources were searched using text search queries to investigate how sponsors used specific kinds of innovations. After these analyses were completed, the coding scheme was rationalised and reorganised around the key patterns and themes that were identified. The data was therefore probed, and analysed, using multiple NVivo techniques to investigate possible patterns and connections, and to help confirm, modify or reject observations that were gleaned from the interview and primary source data.

Memos were taken to provide an audit trail, and to record observations, reflections, analytical steps and developing findings from different stages of the analysis. Kaczynski and others (2014, pp. 131–2) recommend that researchers use three kinds of memos to manage and track qualitative research: (1) methods memos—to record the reasoning for design decisions; (2) analytic memos—to record shifts between deductive and inductive analysis; and (3) reflections memos—to record researchers' personal thoughts about their research, as it develops. In this research, methods and analytic memos were used extensively to help develop and compile the findings presented in the reported analysis.

Linking data to findings

Memos can also show the link between qualitative data and findings. Memos thus help to demonstrate the integrity and internal validity of qualitative research, by showing how researchers developed their research and reached their conclusions (Kaczynski et al., 2014, p. 133).

Tables can also be used to show relationships between research and interview questions, and/or data sources and evidence of findings. Tables provide an opportunity for consumers of qualitative research to accept or reject a study by judging the quality of the procedures used (Anfara et al., 2002, p. 33). For these reasons, the tables below show the different kinds of data collected in relation to the research questions or information sought (table 1), and the different sources that were used to produce the findings (table 2) (cf. Kaczynski et al., 2014, p. 133). The interview questions referenced are provided in appendix 2, while appendix 3, lists the subject of each memo.

Table 1: Connecting data and research questions or information sought

<i>Data types</i>	<i>Data sources</i>	<i>Research questions or information sought</i>
Inter-views	- Semi-structured interview transcripts	Research questions. (1) What are educational entrepreneurs' value propositions—why did they start their schools? (2) What kinds of value do educational entrepreneurs want to create, and are they different to regular state schools? Interview questions 1(a), 1(b), 2(a), 2(b), 3, and 13 are related to research question 1. Interview questions 2(g) & 6 are related to research question 2.
Pri- mary docu- ments	- Crown contracts and applications.	Crown contracts and sponsors' applications provided statements of the aims and obligations of each successful sponsor, and a detailed description of their school, as it will, or would have, operated. These documents also helped to verify, or provide more detail about, statements that sponsors made in their interviews.
	- School documents (e.g. prospectuses, annual plans or newsletters).	Other kinds of school documents helped to illustrate how sponsors' schools are different to regular state schools, how they appealed to children and families, and how they plan to create value.
	- Ministry of Education & PSKH Working Group information releases.	Official document releases provided information about the design of the PSKH model, the application process, criteria for awarding contracts, and the priorities and concerns of central government agencies.
Vi- sual im- ages	- Legislation	The Education Act 1989, and associated acts that apply to New Zealand schools, define the operational parameters of PSKH.
	- Photos taken of school facilities	Photos provided a visual illustration of sponsors' educational philosophy, insofar as innovations, such as classroom layout and depiction of curriculum objectives, could be seen. Photos also showed the kind of school environment that sponsors plan to create.
Memos	- Methods memos	M2, M3, M5, M8 & M9.
	- Analytic memos	A1, A3, A4, A5, A9, A13 & A14.
	- Reflections memo	R1.

Table 2: Connecting data sources and findings

<i>Data types</i>	<i>Finding 1</i>	<i>Finding 2</i>	<i>Finding 3</i>	<i>Finding 4</i>
Interview transcripts	X	X	X	X
Primary documents				
- Crown contracts	X		X	
- Applications	X	X	X	X
- School documents	X	X	X	X
- Official documents	X		X	
Visual images	X		X	
Memos				
- Methods	X		X	X
- Analytic	X	X	X	X
- Reflections				X

Limitations and strengths

No matter how transparent the process of reaching the findings is made, qualitative case study research is still subject to limitations. While it is information-rich, and has high internal validity, the findings have limited external validity (Patton, 2002, p. 14). This means the findings from this research cannot be generalised, because they are specific to a small number of EEVs, sampled from one country, serving one essential kind of population, and at one point in time. The fact that the PSKH programme is brand new makes it, and those sponsors who participated in this research, unique. An exactly equivalent programme or type of venture does not exist to compare PSKH sponsors' experience against, either in New Zealand or overseas, given the particular contextual issues. Further, while this research can shed some light on the antecedent factors behind social and educational entrepreneurship, the findings do not predict whether, and to what extent, SEVs or EEVs will be effective at creating value.

Nonetheless, these limitations are acceptable for an exploratory study, such as this (Chand and Amin-Choudhury, 2006, p. 103). Precious little research has been conducted on EEVs. That which does exist has analysed the policy barriers that prevent educational entrepreneurs from starting and expanding ventures (Laird and Wilson, 2012; Henig and Hess, 2010; Hess, 2008; Hess, 2006), and examined a handful of other localised case studies (Chand and Misra, 2009; Eyal, 2008; Chand and Amin-Choudhury, 2006; Boyett and Finlay, 1993). This research adds another contribution to this embryonic literature, by anchoring it in wider discussions about the value of social entrepreneurship, and providing a basis for empirical evaluation.

Findings

The findings furnish new insights about the value which educational entrepreneurs intend to create through human development. They are organised according

to the main research questions, which may help to answer the broader questions, described before, about the difference, if any, that social entrepreneurship can make. These questions are: what are educational entrepreneurs' value propositions—why did they start their schools; what kinds of value do educational entrepreneurs want to create; and are they different to regular state schools? The answers to these questions have implications for thinking about how to evaluate EEVs.

What are educational entrepreneurs' value propositions—why did they start their schools?

PSKH sponsors had a diverse range of value propositions. There are two key findings about what sponsors' value propositions were and why they started their schools: **Finding (1)** Sponsors' value propositions were usually concerned with meeting an unmet educational need among communities of priority group pupils, who are not well catered for by the regular state school system, but who should not be in AE; and **Finding (2)** some sponsors had a welfare proposition, to improve the welfare of the community that they serve, besides improving educational opportunities or outcomes.

An educational proposition—the necessary condition for starting a school

Queries showed that all sponsors had a value proposition that included meeting an unmet need to provide better education for priority group pupils. Te Kohao Health Ltd., for example, wants to tackle high absence and exclusion rates experienced among Maori children in some Hamilton regular state schools (Ministry of Education, 2013i, p. 15). Another, often pressing, concern was the quality, delivery and relevance of the education provided by regular state schools. The He Puna Marama Trust, for instance, said that it wanted to start a PSKH because of 'the continual failure of the mainstream system for Maori children'. While sponsors targeted priority group pupils, they did not believe their schools should cater for every kind of pupil who does not fit in at regular state schools. With the exception of the 180 Degrees Trust, sponsors did not want to target AE pupils. The unmet educational needs which sponsors sought to address was the necessary cause for their ventures, because they had responded to a pre-existing problem. This suggests that having an educational proposition was a necessary condition for starting a venture.

A welfare proposition—a sufficient condition for starting a school

In all but two cases, the Villa Education Trust and the Nga Kakano o te Kaihanga Trust, queries showed that sponsors' coupled their educational proposition with a welfare proposition. The sponsors whose welfare propositions were the most distinct from their educational ones are the two in Northland, the Nga Parirau

Matauranga Trust and the He Puna Marama Trust. Their ventures reflect the growing desire among Maori 'for an education system that enhances what it means to be Maori' (Ministry of Education, 2013c, p. 16). The He Puna Marama Trust, for example, believes there is a gap in the regular state system for schools that can build the competency of Maori in *te reo* Maori (language), *tikanga* and *te ao Maori* (worldview), so that they can participate in Maoridom and be adept elsewhere. The Trust does not want to train a workforce, it wants to groom a new generation of Maori entrepreneurs. This is to help grow a new wave of Maori leaders, so that all Maori people can develop, after decades of decline.

Some sponsors' welfare propositions focused on alleviating poverty among families from disadvantaged communities, and addressing the causes of family dysfunction and breakdown. This is because these sponsors believe these sorts of problems can impede pupils' educational progress at school, and that they have a responsibility to help. Te Kohao Health Ltd. and MCCT were the two sponsors who most often said alleviating poverty was important to them. As an existing 'Whanau Ora' provider,¹ Te Kohao, for example, had seen first hand the detrimental effects of poverty on families' capacity to function and provide opportunities for their children at school. It would have combined its Whanau Ora services with its PSKH, to make integrated health and education services available to the families whose children would have attended its PSKH. This strategy, of providing social services to struggling families, to directly support pupils, would have divided the responsibility for alleviating family dysfunction and the effects of poverty between families, by encouraging them to take more responsibility for themselves, and their children, by helping them to achieve better at school (Ministry of Education, 2013i, pp. 17–8). Sponsors' welfare propositions may be considered the sufficient cause for their ventures, because sponsors would have wanted to start a school for these reasons, even if there was not an immediate educational need. These parallel educational and social missions suggest that there may be something distinctive about the value that educational entrepreneurs may create compared to regular state schools.

What kinds of value do educational entrepreneurs want to create, and are they different to regular state schools?

The value that sponsors want to create can be seen in the sorts of innovations they plan to use to achieve the kind of impacts that they want to have. There were two key findings about kinds of value that sponsors want to create, and how

¹Whanau Ora was established in 2011 as a joint initiative between Maori communities and the government in which collectives of providers partner with the Ministry of Health, the Ministry of Social Development and Te Puni Kokiri (the Maori affairs ministry) to deliver integrated family health, education and social services. Generally speaking, Whanau Ora is an approach to delivering social services based on Maori concepts of wellbeing, whose purpose is to meet the various needs of a whsnau holistically.

they are different to regular state schools: **Finding (3)** As indicated by Finding (1), all sponsors want to create value by providing education or schooling that is different, and more appropriate, than what priority group pupils receive at regular state schools; and **Finding (4)** most sponsors were involved in non-educational, welfare-enhancing activities that were not directly related to providing education or schooling.

Innovative educational strategies and structures

Providing a high quality, alternative education to that provided by regular state schools for under-served, priority group pupils was a common theme. Sponsors desire to exceed the performance of regular state schools, such that their schools would be considered among the best in New Zealand. Sponsors wanted to achieve this by using different combinations of various innovative educational strategies and structures. The strategies are: using personalised learning, often with project-based learning; developing pupils' cultural competences; and adapting the New Zealand Curriculum to achieve their educational mission. The structures are: adopting a specialist focus; how schools are organised and run; having smaller classes, employing unregistered teachers, or running split school days; and inter-organisational collaboration. In short, a distinction is drawn between what happens in the classroom, and how schools or classrooms are organised.

Educational strategies The most common educational strategy was to use some of kind of personalised learning (Bolstad, 2011, p. 82). Personalised learning was a foundation for other educational strategies which sponsors wanted to use. Queries showed that sponsors want to use personalised learning to re-engage priority group pupils at school, by showing how learning can be interesting and relevant to their lives. The He Puna Marama Trust, for example, wants to use constructivist, experiential and inquiry-based learning approaches (Ministry of Education, 2013c, p. 3), to move away from the 'factory model' of education that it believes regular state schools use. Sponsors that use personalised learning often do so in conjunction with project-based learning, to encourage independent learning, and to see connections between other parts of the curriculum and their applications. The Villa Education and Nga Kakano o te Kaihanga Trusts, for example, want to use independent projects so that pupils can apply basic skills and knowledge that they learn in direct classroom instruction and to draw connections between different topics. The Nga Pari-rau Matauranga Trust wants to use Project-Based Inquiry Learning (PBIL) to engage pupils through practical application of subjects to real life problems or projects. According to the Trust, PBIL—while common in primary schools—has never been used before in a New Zealand secondary school. Sponsors believe personalised learning is an effective way of tailoring education to pupils' learning stage, instead of their age. Moreover, sponsors want to use personalised

learning to recognise priority group pupils as special, individual persons, and to become learners who can transition to further training or the workforce.

One of the ways that sponsors who primarily serve Maori pupils want to do this is by helping them to become more competent in their culture. Developing Maori pupils' cultural competences can be considered a major way that some sponsors want to develop pupils' capabilities. Five sponsors lamented that Maori were missing something vital to their identity and mentioned cultural education as one of their goals. These sponsors believed that not enough cultural education was provided in the regular state school system. Some wanted to develop a *marae*-style environment that was favourable for pupils to exercise, and develop, their capabilities as Maori. Urban Maori lack environments where they can learn the neglected or forgotten practices they need to participate in their culture. The He Puna Marama Trust's PSKH, for example, is designed around three goals, or '*pou*', 'be Maori, 'be educated' and 'be *rangatira*' (leaders). The Trust's objective is to help Maori to be competent in both of the worlds within which they live and work. Not all sponsors, however, want their pupils to learn cultural competences by experiencing them in an authentic cultural environment. ATC and the Nga Kakano o te Kaihanga Trust want them to learn these skills through conventional schooling. Nonetheless, one of the educational strategies that distinguishes sponsors from regular state schools is how they want to marry education in contemporary skills and training with Maori culture to help them develop cultural competences.

While one of the attractions of running a PSKH can be the opportunity to offer a different curriculum to the state curriculum, sponsors chose to adapt the New Zealand Curriculum to their priorities and programmes, as they believed it was flexible enough to achieve their objectives. Sponsors have used this strategy in a few ways. The Nga Kakano o te Kaihanga Trust, for example, would have combined the Accelerated Christian Education (ACE) curriculum and the New Zealand Curriculum so that it could have taught Christian scripture and values as well as, and through, core academic skills and subjects. The Nga Parirau Matauranga Trust has combined curricula, by using both the English and Maori versions of the New Zealand Curriculum. The flexibility of the New Zealand Curriculum's eight levels, and the flexibility to offer NCEA credits at different Year levels, have also helped sponsors who want to educate by stage, not age, to set expectations for their pupils' personalised learning plans.

Educational structures Sponsors used innovative educational structures as well as strategies. Sponsors have developed their own innovative school models to create value. Among all of the innovative structures described, sponsors' school models were the biggest difference between their PSKHs and regular state schools. ATC and the 180 Degrees Trust, for example, want to use specialised programmes to create value for pupils who would not otherwise attend school. The purpose of ATC's military school model is to use the ethos and

training methods of the military to encourage pupils to adopt healthy, disciplined attitudes to life and their studies (Ministry of Education, 2013a, p. 1). Besides physical training, pupils are taught in military-style 'sections', rather than by year groups, to encourage camaraderie, and a sense of belonging and service to a community. The 180 Degrees Trust would have used its high country, outdoor experience school model to help excluded pupils to transition to mainstream schools, further training or the workforce. Spending time away from the city would have helped its pupils to leave behind difficult situations affecting their lives, including family breakdown, drugs or alcohol. Sponsors whose schools have such a specialist focus may provide a new or different experience that can help to meet priority group pupils needs, and encourage them to participate and engage at school.

Sponsors also innovated by organising and running their PSKHs in different ways to regular state schools. The MCCT, for example, would have used satellite schools. The plan was to have four campuses besides its Manukau one, in Flat Bush, Clendon and Manurewa, South Auckland. An executive principal would have been in charge of the school as a whole. This model would have enabled MCCT to extend its reach into the South Auckland community and partner with local churches to run the satellites. A variation to this approach is the Villa Education Trust's middle school. It involves running multiple schools of 60 pupils (of four 15 pupil-sized classes) on the same site. This modular approach enables Villa to run larger schools, while preserving the advantages that smaller schools can have for improving pupils' learning, such as more attention from school leaders and teachers, and smaller classes. Villa believes using smaller schools enhances the chances of its personalised, academic-focused inquiry-based independent learning programmes having a positive impact on the middle-years pupils whom it serves. As the way regular state schools work is centrally regulated, they do not have as much scope as PSKH sponsors to change how their schools are run to meet particular needs.

Other sponsors were interested in the benefits of smaller school classes, as well. Queries showed that four sponsors specifically believe class sizes matter. According to sponsors' annual estimates of their teaching staff and rolls, in their applications, the average teacher-pupil ratio for PSKHs that started, or would have started, in 2014 is 1:10. For the life of the first contracts, between 2014–18, the average is 1:15, as schools' rolls are meant to increase more than teacher numbers. This means that PSKH may teach between 10 and 15 fewer pupils per class than regular state schools, depending on the year level (appendix 1). This may be important for priority group pupils to experience a learning environment that they may not have enjoyed at regular state schools.

Sponsors also want to use smaller classes to get the maximum benefit from their personalised learning programmes. The Nga Parirau Matauranga Trust, for example, said smaller classes were important for allowing pupils to have the 'space to be themselves'. It wants to keep its school's teacher-pupil ratio at 1:15, and does not want to exceed a maximum roll of 200 pupils—or about one

pupil per acre of their farm site. MCCT similarly believes that smaller classes are vital for supporting struggling children, alongside its OSCAR (Out of School Care and Recreation) after-school care programme, in their early years. It seems that sponsors want to use smaller classes not because they believe it is the best way to boost pupils' achievement, but, rather, that smaller classes, or rolls, support sponsors' missions.

The class size issue is associated with the number, and kind, of teachers that sponsors may employ. Queries showed that seven sponsors want to employ some kind of unregistered teachers to complement registered teachers. These sponsors need to employ experts, facilitators or tutors to help deliver their programmes. The Nga Parirau Matauranga Trust's programmes, in agriculture, horticulture, building, equine, tourism, outdoor education and automotive skills, will employ experienced tutors to help teach these subjects alongside registered teachers (Ministry of Education, 2013f, p. 90). The He Puna Marama Trust, for instance, believes it needs outside experts to teach its three *pou*. For example, its 'be *rangatira*' *pou* requires expert facilitators in Matauranga Maori areas of social justice, de-colonisation, conflict resolution and character building (Ministry of Education, 2013c, p. 39). These areas are not a normal part of a regular school curriculum. Another approach is to use teacher aides to help support classroom teachers, and reduce class sizes, as Te Kohao Health Ltd. and MCCT would have done. Sponsors who employ unregistered teachers will still make registered teachers responsible for all of the academic and theoretical subject lessons. In short, to help achieve their objectives, sponsors intend to split teaching tasks based on expertise, but with unregistered teachers reporting to registered ones.

Another innovative structure that sponsors use are split school days. Queries showed that six sponsors want to use split school days, or varied timetables, to deliver their academic and non-academic programmes. The Villa Education Trust, for example, splits its school day between direct instruction and time for independent project-based learning. Because it uses PBIL, the Nga Parirau Matauranga Trust operates its timetable on a ten day cycle, through self-directed study and core subjects. Further, the school has three periods per day of 1.5 hours duration, with half hour breaks in between. The school day starts at 10am and finishes at 3:30pm (Ministry of Education, 2013f, pp. 63–5), in recognition that many pupils may travel as much as 60km from town each day. By contrast, the He Puna Marama Trust organises its day around its three *pou*. The school day starts with *karakia* (prayers) and breakfast—'be Maori'—followed by Maori education and direct instruction in core academic subjects from 10am to 2pm—'be educated'. From 4pm to 8pm, pupils learn about leadership and spend time on support subjects—'be *rangatira*' (Ministry of Education, 2013c, p. 53). This kind of scheduling is different to the 9am to 3pm model of compartmentalised direct instruction used by most regular state schools, especially among secondary schools. It reflects sponsors priorities to provide an education that suits their pupils and communities needs.

A final innovative structure is inter-organisational collaboration. Such collaboration can help to share scarce resources, or best practice, to improve school management, or teaching and learning. Five sponsors said they wanted to collaborate with other state schools, education providers or businesses, to create opportunities for priority group pupils. From the outset, the He Puna Marama Trust wanted to build links with the Whangarei community, to prove its commitment to serving priority group pupils. It has a relationship with the Northtec tertiary institute so its pupils can access trade and vocational programmes. It also wants to collaborate with Whangarei secondary schools so that its pupils can access the specialist subjects of physics, accounting, technology and mathematics, for which it is harder to recruit teachers. The Nga Parirau Matauranga Trust also has a relationship with Northtec, to deliver a government 'My Start' Youth Guarantee vocational training programme. It is now building relationships with organisations ranging from tertiary-level Independent Training Organisations (ITO), to create pathways into apprenticeships, and the National Institute of Water and Atmospheric Research (NIWA) to support its water science curriculum. The C-Me Mentoring Foundation's trades academy would have collaborated with local industries, as its model is based on enhancing the relationship between school and industry, to facilitate a smooth transition for pupils entering the workforce. These kinds of collaboration are not necessarily unique or novel to the school system. Nonetheless, collaboration is another way that sponsors want to provide diverse and meaningful opportunities, so that priority group pupils can have every chance to pursue their interests and participate in education and further training.

Hopefully, these various innovative educational strategies and structures will help to improve pupils' educational outcomes, and so enhance their capabilities. The relationships forged with families, communities and partner organisations also stand to build capabilities, and cultural and social capital. Some sponsors, however, plan to use different kinds of interventions to directly improve, if not transform, priority group pupils' families and communities.

Sponsors' non-educational welfare-enhancing activities

Most sponsors planned to use non-educational activities to enhance the welfare of their communities. These can be considered innovations that enacted their welfare propositions, if they had one. Queries showed that one of the ways sponsors believed that their PSKHs were different to regular state schools was because of the support they plan to provide to families, children and their communities. The analyses suggest that sponsors' non-educational welfare-enhancing activities can be described as: environmental rejuvenation; building Maori and Pasifika parents' capabilities, to meaningfully participate in society; supporting families, to help with their children's education; modelling self-sufficiency for Maori communities; and addressing some of the non-school, background issues that contribute to educational under-achievement.

Environmental rejuvenation Some sponsors' desires to see Maori culture, customs and *te reo* Maori language renewed through education, described before, are paralleled by a desire to see Maori develop as a people. Consequently, some sponsors want to engage in activities that will contribute towards Maori development. Queries showed that Te Kohao Health Ltd. and the Nga Parirau Matauranga Trust described this as the 'rejuvenation' or 'regeneration' of Maori. One aspect of development was environmental rejuvenation. Both Te Kohao and the Nga Parirau Matauranga Trust said they want young Maori to learn how to become *kaitiaki* (guardians of the land). Te Kohao wants to address this first by framing conservation of the environment primarily as rejuvenation, rather than sustainability. Te Kohao believes that an environment is not worth sustaining if it needs to be improved. As a people whose identity is bound up in the land, Te Kohao believes that Maori should take more responsibility to care for it.

The Nga Parirau Matauranga Trust also believes in caring for the environment. It wants the Ngatiwai 'land, water and people', whom it serves, 'to be well'. Its emphasis on agriculture and horticulture has already been mentioned as ways that it wants young Maori to become *kaitiaki*. The Trust, however, wants its PSKH to contribute in practical ways to caring for, and developing, the environment. One practical expression of this is how the school will monitor and control its impact on the water quality at its farm. By collecting baseline data, the Trust will be able to measure the change, if any, in wastewater quality compared to elsewhere. If the school improves the quality of its wastewater, it will have reduced the negative impact it may have on the environment. Whether, and to what extent, the school, and the farm contribute to improving the environment will help the Trust to judge whether it has achieved part of its mission.

Building human capabilities Besides caring for, and developing, the environment, some sponsors want to help Maori to develop as much as possible as people, too. Besides helping Maori to develop by growing their cultural competences and skills, some sponsors want to help Maori parents—and parents from other backgrounds—to develop the capabilities to participate well in New Zealand. Te Kohao Health Ltd. would have supported parents by providing them with literacy and numeracy tuition, so that they could have helped their children with their school work. Likewise, the C-Me Mentoring Foundation would have provided literacy and numeracy tutoring for Pasifika parents, to help them to participate in their children's education. It would also have provided opportunities for parents to learn about how industry functions, so they could better understand how to support their children to find work. These sponsors' efforts to improve parents' literacy and numeracy—and so hopefully their confidence—would have helped them to grow and contribute more to New Zealand. It is not an activity they had to perform, but it is important for helping

the adults, as well as the children, in the communities they serve to participate meaningfully in society.

Modelling self-sufficiency Consistent with this vision, to help their communities to shake-off decades of disparity and deficit, Te Kohao Health Ltd. and the Nga Parirau Matauranga Trust want to model a self-sufficient lifestyle. They believe that too many Maori have accepted a mind-set of dependency, on the government or others, to make decisions for them or to provide their livelihood. The Maori sponsors believe that too many Maori figure in unemployment statistics and as long-term recipients of government income assistance. To help change this culture, Te Kohao Health Ltd. would have established a community garden at its school. The produce from the garden would have been used to provide food for struggling families and food for pupils' breakfasts and lunches, thereby meeting some pressing needs from within Te Kohao's resources. At a larger scale, the Nga Parirau Matauranga Trust's long term vision is to become financially self-sufficient. It is examining opportunities to diversify its income sources. One idea is to partner with an American university to establish organic farms. The farms would provide another income source for the Trust, be connected to the development and environmental goals of the school, and produce valuable produce for the local community and beyond. Through such activities, the sponsors would model self-sufficiency and help Maori communities to strive towards a more sustainable future.

Addressing non-school background issues Lastly, some sponsors want to focus on addressing the non-school factors that are related to educational underachievement. These can be behavioural issues, the quality of the family environment or poverty. Addressing such issues was essential to the 180 Degrees Trust, MCCT and Te Kohao Health Ltd's missions. The nature of the 180 Degrees Trust's work with excluded pupils would have required it to provide mentoring support for pupils who may come from highly dysfunctional backgrounds, with acute learning difficulties and/or behavioural problems, such as sexual health and drug addiction, home violence or broken families. The Trust proposed to employ a nurse and/or a social worker at its PSKH to help deal with such complex issues.

By contrast, MCCT and Te Kohao Health Ltd. had bigger ambitions. They would have attempted to directly alleviate the effects of family background and poverty on educational outcomes. MCCT wanted to provide a limited form of social welfare, with 'wrap around services' to help lower socio-economic status families. For example, it would have employed social workers to go into the homes of families that need help with accessing income assistance and providing extra care for their children. MCCT wanted to do this because it believed that changing pupils' home situation was necessary to create the most possible value for them. Te Kohao would have provided wrap around services, too. How-

ever, it would have used a highly innovative approach. Its PSKH would have combined Te Kohao's health and education services into a comprehensive, integrated package for children and families needing extra support. This would have included working with families on education plans for their children, budgeting and basic health care, so they could support themselves. Through these efforts, Te Kohao proposed to help lift the children from the families it already serves through Whanau Ora 'out of deficit'. While some regular state schools have community hubs, at which education and social services are joined up, MCCT and Te Kohao would have brought these services together in the same organisation. This would have provided comprehensive wrap around services that would have systematically tackled the educational and social problems that impede educational achievement among priority group pupils. MCCT and Te Kohao may have made a positive difference to the communities they serve by running ventures that were more than schools.

Summary: What educational entrepreneurs' value propositions are, what the kinds of value are that educational entrepreneurs plan to create, and how they are different to regular state schools

Sponsors had parallel education and welfare missions that formed their value propositions. While the weight differed among sponsors, addressing the educational under-achievement of priority group pupils was the necessary condition for sponsors starting their schools. Any welfare proposition was a sufficient condition.

Sponsors plan to use a range of innovative educational strategies and structures to tackle educational under-achievement. More personalised, culturally appropriate learning is at the core of the educational strategies sponsors plan to use, while specialised school models and smaller classes are popular structures. Sponsors believe these methods can help them to meet the unmet educational needs of priority group pupils, who they believe have been poorly served by the regular state system.

Some sponsors also intend to engage in non-educational, welfare enhancing activities to meet unmet needs that go well beyond education. Some believe they have innovations that can tackle the effects of poverty and family background on educational achievement, while others want to transform whole communities. Sponsors' commitment to these activities is perhaps the most impressive way that they plan to use innovations to create value, in addition to whatever they may do to enhance children's capabilities through education. Many sponsors' deep commitment to the well-being and welfare of their communities clearly distinguishes their ventures from regular state schools.

Discussion

The proposition proposed earlier was that SEVs create value, rather than capture value, through social innovations that enable their beneficiaries to enjoy new combinations of capabilities (Ziegler, 2010, p. 265, 267). This proposition assumes that doings and beings—that is, the capabilities to live a meaningful, fully human life—are the elements to be combined to create value and, hopefully, improve welfare. If so, social entrepreneurs are social change agents who devise and carry out new combinations of capabilities, to solve neglected social problems. Social entrepreneurs will create high quality, enduring value if their innovations can establish, foster and strengthen ties between capabilities. The findings enable these propositions about value creation and the capability-innovation hypothesis to be tested, by examining whether PSKH sponsors may help their beneficiaries to realise new or different combinations of complementary capabilities. The findings also provide an opportunity to assess whether, and to what extent, the value creation-capture distinction may hold in the case of EEVs.

The role of social entrepreneurs

The reasons why sponsors wanted to start their PSKHs are consistent with Santos' (2012) proposition that social entrepreneurs create value by solving neglected social problems, whose solutions should improve the overall welfare of society. Sponsors want to meet unmet educational and welfare needs. Their ventures could be a circuit breaker that introduces a new dynamic into the education and welfare provided to some communities of priority group pupils, where other schools or initiatives have fallen short. Since they want to serve capable pupils who have not been served well by the regular state system, sponsors want to work in a vacant space between the regular school system and AE. Sponsors' interest in these activities illustrates the role that social entrepreneurs can play to provide a good or a service where other organisations either cannot, or will not.

Value creation as innovation in the combination of capabilities

Moreover, sponsors are deeply committed to enhancing priority group pupils' capabilities and cultural capital through innovation in education. Improving priority group pupils' educational achievement, by helping them to engage at school, and stay for longer, to earn exit qualifications, alone, should help them into further training or work. This should enable them to participate, and have jobs and incomes to live well in New Zealand. It goes without saying that sponsors' efforts, if effective, will help to improve the overall economic, human and social capital of New Zealand from having a well-educated population.

Sponsors want to help solve the problem of under-achievement by using new

combinations of educational strategies and structures. They plan to use the operational freedoms available to them as PSKH operators, in various ways, to provide a more tailored, alternative education than what regular state schools can offer. In particular, the different ways that sponsors want to organise and run their schools from regular state schools has, or would have, enabled them to provide more flexible, personalised learning programmes. Sponsors have not invented brand new education strategies or structures, however. They can be found elsewhere in the school system to some extent. The educational effect of these strategies and structures, alone or in combinations, is also debatable (Hattie, 2009). The greatest value perhaps comes from how sponsors will, or would have, used these innovations to bring a kind of education to disadvantaged communities that they might never have had the opportunity to enjoy.

This was not the only approach to enhancing capabilities through education that sponsors, displayed. Some sponsors' dedication to helping urban Maori pupils to become more culturally competent shows that developing other kinds of functioning matter, so that priority group pupils can meaningfully participate in their cultures. The deep immersion in cultural learning at some sponsors' schools is what, or would have, set them apart from the regular state schools that most priority group pupils normally attend. This should help them to perform better at school and in life (Ministry of Education, 2013c, p. 16; Durie, 2003; Bishop and Glynn, 1999).

The range of non-educational, welfare enhancing activities that most sponsors want to use shows that they believe it is important to attend to other issues that affect priority group pupils' capabilities—and those of their communities—to create value. How some sponsors prioritised poverty alleviation and addressing family dysfunction, through planning to provide wrap around support programmes in health and education, or by wanting to employ social workers, are clear examples. The factors outside of schools' direct control, which influence pupils' backgrounds, can have much more of an impact on educational outcomes than any of the educational innovations or strategies sponsors may use separately, or in combination, to improve pupils' learning (OECD, 2013; Hattie, 2003, pp. 8–9). Nevertheless, as some sponsors, such as the Villa Education Trust, were more focused on providing a traditional academic education, as the main pathway to improved educational and social outcomes, than addressing non-school factors, sponsors varied in how much emphasis they believed it was a priority to attend to these issues. This is not to suggest that one approach is better than another, only that sponsors have different core business, and preferred approaches to improving the welfare of priority group pupils and their communities.

A few sponsors even want to cultivate meta-capabilities, such as environmental sustainability, that help individuals and communities to realise their own capabilities. The Nga Parirau Matauranga Trust, with its environmental focus, is a clear example of a sponsor that believes there is an important link between maintaining meta-capabilities and the flourishing of the local commu-

nity. Sponsors with these sorts of priorities see their PSKHs, and education, as part of a larger vision of social and environmental renewal and transformation. Regular state schools do not operate in this way, as their focus is on teaching and learning. Sponsors which have deliberately embedded their schools in local communities, or even environments, and linked their effectiveness to improving social and natural outcomes represent the boldest attempts to help the communities of priority group pupils to develop and flourish.

Value creation through innovation processes

Means matter as well as ends—social entrepreneurs' innovation processes can create value, too. Sponsors' initiatives to involve families and communities in their children's education, and to partner with other education providers, can create value. Involving families more in their children's education may raise their venture's profile among parents whose own experience of school may be negative, and whose opinion of the value of education is low. Depending on sponsors' approach, they may have the opportunity to improve their own skills and/or cultural competences by being involved. Sponsors' collaboration with tertiary institutes or local state schools, may bring benefits. These include making new or different pathways available to pupils, using state school facilities to best effect and developing relationships and networks that can help sponsors' PSKH to endure, by creating opportunities to access further human and material resources.

The validity of the value capture-creation distinction in educational entrepreneurship

While the findings support most of the propositions, in the case of EEVs like New Zealand's PSKH sponsors, they challenge Santos' value creation-value capture distinction. The issue is typical SEVs need to generate revenue to cover their ventures' costs. However, the sponsors in this study would not have started their schools if adequate funding had not been available through the PSKH programme. It demonstrates an issue with the viability of social entrepreneurship in education—there is little to no money to be made; especially when ventures serve beneficiaries who cannot afford to pay even nominal school fees.² Sponsors started their ventures solely for altruistic reasons. It seems that EEVs serving disadvantaged groups may not face the tension between value capture and creation that many SEVs face.

²This point was further illustrated by how the majority of sponsors said in their interviews that they did not prioritise profit-making. Sponsors wanted their ventures to be solvent, with any surplus generally to be reinvested in the venture to help achieve its mission. The idea of running a school for financial gain was a foreign concept.

A different distinction—‘social entrepreneurship competences’

Even if this tension does not make sense, sponsors differed according to the priority they gave to non-educational, welfare enhancing goals. Chand and Amin-Choudry’s previous study (2006) found a similar pattern. They discovered that teachers working with disadvantaged children in rural India were effective when they adopted ‘extra-school roles’ as leaders and social entrepreneurs in their village communities (pp. 111–2). Teachers took on provider-for-children roles, such as tutoring children outside of school hours, changing the school year to suit the agricultural environment or challenging cultural practices that made it difficult for girls to participate in extra-curricular activities. Some even helped to start businesses, such as a milk cooperative, to assist development in their villages. This generated trust among families in them, and education (p. 106), and opened up support networks for human and material resources that enabled them to be improve education (pp. 109–10). Teachers who developed ‘socio-entrepreneurial leadership competences’ helped to improve educational and social outcomes. It is proposed that more socially entrepreneurial PSKH sponsors can be distinguished by how much they display ‘social entrepreneurship competences’.

A social entrepreneurship competency continuum

How much educational entrepreneurs display a social entrepreneurship competency can be determined by the strength and kind of competences. There is a relationship between the strength of sponsors’ welfare propositions and how strong their social entrepreneurship competency is. Those which plan to engage in community development activities, and for whom providing education is part of a larger mission, have stronger competences, those which have a more strictly educational focus have weaker ones, while those that want to help build the capabilities of priority group pupils and their communities, primarily through education, have moderate competences. That is, sponsors with moderate and strong competences might both have a broad capabilities development agenda, but the difference between a sponsor with a moderate and a strong competency is the one with a strong competency incorporates these goals into a broader vision for social renewal, which the one with a moderate competency may not share.

Each sponsor’s social entrepreneurship competency can be represented on the following continuum (figure 1). Sponsors’ position on the continuum is determined by how much they engage in activities besides providing education or schooling. At the left are those sponsors who displayed weaker competences, while to the right are those that displayed stronger ones.

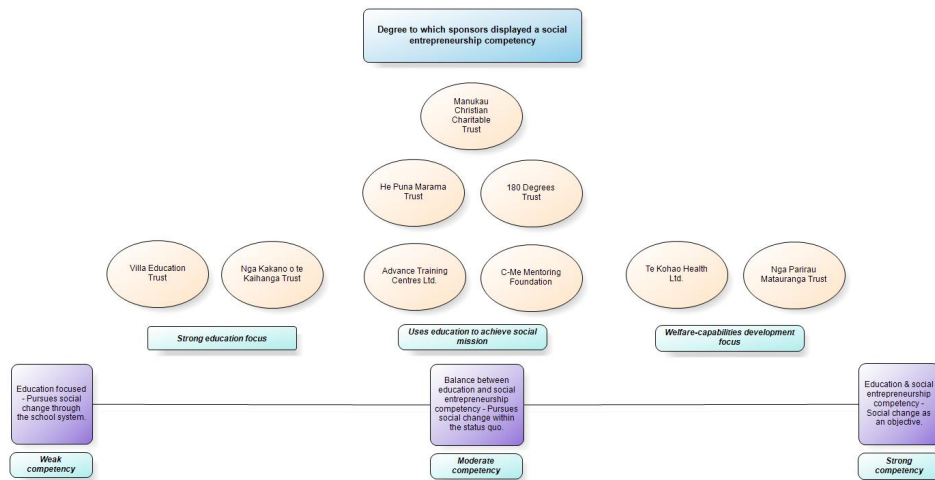


Figure 1: The Strength and Kind of Sponsors' Intended Social Entrepreneurship Competences.

Implications

This discussion supports the proposition that sponsors intend to use innovations to carry out new combinations of capabilities. They plan to create value by enhancing human capabilities. Sponsors will also create value through the processes and relationships forged by their ventures. As these ventures are new, however, it remains to be seen whether they endure, and if they are effective at helping priority group pupils and their communities to develop in the ways sponsors intend.

Sponsors were not able to explain well, however, how they would evaluate whether their ventures had produced these sorts of impacts. While some sponsors were prepared to evaluate the difference they may make to pupils' academic progress, few had developed well thought through frameworks, indicators or had baseline evidence to show that they would have had an impact besides this. This is a concern, since it shows sponsors trust that their methods will have an effect, and assume that any positive development is good change. This issue highlights how important it is for SEVs and EEVs to systematically analyse and collect data from a baseline position to show that they have had an effect, and that this effect is greater than comparable programmes run by other providers. A key evaluation question is improvement relative to what kind of baseline position.

Nevertheless, the degree to which sponsors displayed a social entrepreneurship competency shows how many combinations of capabilities they are prepared to transform to improve their beneficiaries' welfare. These innovations, out of any discussed, is what most clearly differentiates sponsors' PSKH from regular state schools and could be the way that they create the most enduring value. Even if their schools do not perform significantly different at educational out-

comes, sponsors might use their social entrepreneurship competences to enhance other capabilities.

Educational entrepreneurs perhaps face a choice about how essential they believe meeting unmet needs beyond the school gate matters to their chances of creating value. Whether, and to what extent, they choose one approach appears to depend on what educational entrepreneurs believe is the primary mission of a school. Should schools focus solely on providing a high quality teaching and learning environment, or should they take some responsibility for the quality of their pupils' home lives? The answer may partly depend on how embedded EEVs are in their local communities. It is likely to influence the balance educational entrepreneurs will strike between education and welfare concerns when forming their value propositions. It is also an open question as to whether educational entrepreneurs' social entrepreneurship competences could change and/or develop, depending on the opportunities and constraints faced by their ventures. All of these propositions require further hypothesis-testing research among more cases.

Conclusions

Social entrepreneurship offers great promise for solving some of the world's trickiest problems and improving the welfare of the neediest people in the world. In tackling the problem of educational under-achievement, this research has explored what kind of value educational social entrepreneurs working in the New Zealand education system might create for priority group pupils, including Maori and Pasifika communities. It has explored them by reference to the small literature within social entrepreneurship that conceptualises value holistically, and that value should be considered in Schumpeterian development terms (Ormiston and Seymour, 2011, p. 144), as innovation to improve the welfare of communities through the new combination of capabilities.

The findings also provide further evidence that social entrepreneurship is a phenomenon distinct from entrepreneurship, and even social innovation or enterprise (Luke and Chu, 2013; cf. Mair et al., 2012, p. 363; Austin et al., 2006). Social entrepreneurs want to create value by using innovations to help transform society. They do not limit themselves to running businesses that provide some kind of social benefit more effectively or efficiently than other organisations. Without the dynamic of innovation, SEVs would be social ventures with good intentions.

The sponsors of New Zealand's new PSKH proved many of the propositions in the value creation literature. They tackle unmet educational needs among the communities of priority group pupils that have not been met well by the regular state school system. They create value by using different kinds of innovations, whether that is a particular school model, pedagogical approach or way of working with the local community. Their first priority is to improve

educational outcomes, while their second is to enhance the other capabilities that priority group pupils require to meaningfully participate in New Zealand, and their own cultures, such as addressing poor health, poverty and family dysfunction, or helping pupils to learn cultural competences. How much sponsors focus on the second priority, if at all, defined the scope of the combinations of capabilities they want to transform to create value.

These findings suggest, however, that the value capture-creation distinction may not hold when evaluating EEVs. This is because it is unlikely EEVs will capture much, if any, value by raising revenue. Their beneficiaries would be less likely to access the education they provide if they had to pay fees. Educational entrepreneurs are primarily concerned with creating value. If a tension exists between priorities, it is between the relative attention that should be given to educational and non-educational objectives.

This can be seen in the weight sponsors attach to their social entrepreneurship competences. Those with weak competences focused almost entirely on education to improve pupils' capabilities, while those with strong ones pursued activities that stand to renew and transform the lives of their pupils and the communities from which they come. The value which EEVs may create through their social entrepreneurship competences could be even more significant than whatever difference they might make to improving educational outcomes.

There are some implications for evaluations of EEVs. As the EEVs examined in this research are brand new, evaluations are required to see whether educational entrepreneurs' have more of an impact by improving educational outcomes or through improving the outcomes that are the focus of their social entrepreneurship competences. It would also be helpful for evaluations to assess whether other EEVs in different places adopt a social entrepreneurship competency to assist with achieving their educational goals, and other social or cultural regeneration objectives. Finally, longitudinal evaluations could address whether educational entrepreneurs' competences change and deepen over time. The difference EEVs make relative to other organisations serving disadvantaged communities should be assessed, too, as much as possible.

In conclusion, it appears that conceptualising value creation in Schumpeterian innovation terms, through a capabilities development framework, can explain the value that EEVs want to create, as a kind of social entrepreneurship. Moreover, the findings from this case study show that EEVs could well improve the fortunes of marginalised communities.

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Appendix 1. Key characteristics of PSKH sponsors

<i>Sponsor</i>	<i>School types and year levels</i>	<i>PSKH location</i>	<i>Special focus</i>	<i>2014 roll</i>	<i>2014 teacher-pupil ratio</i>	<i>2014 annual per-pupil operational funding (NZ\$)</i>
Successful sponsors						
Villa Education Trust	Middle school, Years 7–10	Clendon, South Auckland	Academic and values education	120	1:12	\$12,190
Advance Training Centres Ltd. (ATC)	Senior secondary, Years 11–13	Albany, North Auckland	Military school and values education	108	1:9	\$22,834
He Puna Marama Trust	Secondary, Years 9–13	Whangarei, Northland	Marae-based, Maori education	50	1:9	\$38,050
Nga Parirau Matauranga Trust	Secondary, Years 9–13	Whangaruru, Northland	Agriculture and horticulture	71	1:6	\$26,930
Unsuccessful sponsors						
Nga Kakano o te Kaihanga Trust	Composite, Years 1–13	Henderson, West Auckland	Christian and Maori worldview education	110	1:10	NA
Manukau Christian Charitable Trust (MCCT)	Primary, Years 1–4	Manukau, South Auckland	Early years' literacy and numeracy, and Christian values education	183	1:8	NA
Te Kohao Health Ltd.	Middle school, Years 7–10	Hamilton	Maori education primarily for mainstream-educated Maori pupils	50	1:20	NA
180 Degrees Trust	Secondary, Years 9–13	Christchurch and Canterbury high country	High country school for excluded pupils	20	1:5	NA
C-Me Mentoring Foundation	Senior secondary, Years 11–13	Papatoetoe, South Auckland	Trades academy	45	1:11	NA

Notes

Teacher-pupil ratios and per-pupil operational funding are calculated with July 2014 roll returns. Operational funding includes day-to-day running costs and salaries. In 2013, regular state school average annual per-pupil operational funding was for: primary schools, \$5,838; secondary, \$7,522; and all years, \$6,322. Decile 3 regular state schools received \$8,307 in operational funding. PSKH 2014 operational funding is higher in nominal terms than regular state schools', but falls over the six year life of the contracts. As a further comparison, table 3 shows the teacher-pupil funding ratio for each year level in the regular state school system.

Table 3: 2012 Regular state school teacher-pupil funding ratios

<i>Year 1</i>	<i>Years 2–3</i>	<i>Years 4–8</i>	<i>Years 9–10</i>	<i>Year 11</i>	<i>Year 12</i>	<i>Year 13</i>
1:15	1:23	1:29	1:23.5	1:23	1:18	1:17

Appendix 2. Interview questions for successful and (un-successful) PSKH applicants

1. Tell me about what made you decide to start a Partnership School?
 - (a) What is your school's vision and mission?
 - (b) What is the unmet need that you want to address—what is the value proposition of your school?
2. What sort of planning did you do before submitting your application? For example, did you:
 - (a) think about which families or communities might want to send their children to your school?
 - (b) think about whether other regular schools were providing the kind of schooling that you thought was needed?
 - ...
 - (g) develop your own schooling model or seek to introduce a model used elsewhere?
3. Which statement best describes how you recognised the opportunity to start your school? READ OUT OPTIONS (a) TO (d).
 - (a) You saw an existing need which you thought could be addressed by starting a Partnership School.
 - (b) You thought you could offer an education or experience that was new, different or better than existing forms of schooling, and starting a Partnership School was a way you could do that.
 - (c) You used a mixture of both approaches.
 - (d) You recognised the opportunity another way.
6. What makes (would have made) this Partnership School different to a regular state school?
 - (a) What is the unmet need that your school addresses (would have addressed)?
 - (b) What kind of innovation do you use (would you have used)—e.g. curriculum, learning time or a specialism?
 - (c) How much will (would) your school take (have taken) advantage of the operational freedoms granted to Partnership Schools to provide a different form of schooling to regular state schooling?
13. Who does the school serve?

- (a) Generally speaking, what kind of backgrounds do the children have who (would have) enrolled in your school?
- (b) Do (Would) children have mainly come to your school from the local area or from further away, too?

Appendix 3. Memo subjects

<i>Type</i>	<i>Number</i>	<i>Subject</i>
Methods memos	M2	Nodes to Collapse
	M3	Early Coding
	M5	Coding in Progress. 24 April 2014
	M8	NVivo Analysis Strategies
	M9	Node Rationalisation
Analytic memos	A1	Q1. Reasons for Starting a School
	A3	Q1. Reasons for Starting a School. Updated
	A4	Value Proposition
	A5	Value Creation
	A9	Value Propositions Summary
	A13	Social Entrepreneurship Competency by Sponsor
Reflections memo	A14	Personalised Learning
	R1	Supervision Meeting Feedback. 19 May 2014