Institutional Pressure and Failure Dynamics in the Swedish Voucher School Sector
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Abstract
We conducted a comparative case study following the growth and decline of the two largest private school organisations in Sweden from the voucher school deregulation in 1992 until the bankruptcy of one of the organisations in 2013. Using archival data, hand-coded data relating to media exposure, interviews with managers and company press releases, we have explored institutional pressure and responses of school organisations to institutional conformity and resistance. Both of the organisations studied constitute private equity managed business groups, but rely on distinct growth strategies and different types of political and market-based ties to powerful stakeholders. Our results explain how organisational responses to institutional pressure are intimately linked to organisational structure, and furthermore how conformity may not translate into conditions which enhance survival as has been previously theorised.

Introduction
Two decades on since deregulation in 1992, the Swedish school sector has been transformed into a quasi-market consisting of state-funded private (voucher) schools – often owned and managed by international private equity interests – in competition with publicly funded schools. This school sector is increasingly being questioned by stakeholders in society and subject to a variety of external opinions. This constitutes an interesting locus in which to probe theories of institutional pressure in a setting characterised both by competition and institutional change.

How organisations respond to external pressure from institutional forces constitutes a central issue in institutionally-oriented organisation research. Up to now, studies on organisations’ response to institutional pressure have mainly focused on norms and expectations (Oliver, 1991; Pache and Santos, 2010; Battilana and Dorado, 2010) but have lacked knowledge about the processes by which organisations’ responses to institutional pressure are contingent on firms’ growth or decline over time.

To explore and theorise on such contingencies we draw upon research on organisational growth, decline and turnaround (e.g. Cameron et al., 1987; Slevin and Covin, 1997; Hambrick and Crozier, 1986; D’Aveni, 1990; Halebian and Finkelstein, 1999) in order to study voucher schools’ responses to institutional pressure, and how such responses are moulded by organisational structure and performance over time.

The common denominator of having a contested organisational form – the for-profit voucher school owned by private equity interests – places voucher school organisations into a category that is frequently scrutinised by media and other public interests (Zuckerman, 1999). This type of scrutiny often blurs organisational boundaries, and when one voucher school is challenged or criticized,
criticism often ‘spills over’ to other similar organisations (Jonsson et al., 2009). This type of scrutiny often blurs organisational boundaries, and when one voucher school is challenged or criticised, criticism often ‘spills over’ to other similar organisations (Jonsson et al., 2009). In this study we show how voucher schools rely on political ties to enhance their survival (Dieleman and Boddewyn, 2012). Political ties – broad ties across the political spectrum allow voucher schools to maintain legitimacy regardless of which political party is currently in power. Such conditions and level of activity may indicate conformity as a means of resisting institutional pressure to be manipulative strategic response (Oliver, 1991). The puzzle we address in this study is how competing organisations’ responses to institutional pressure change depending on their structure and varying levels of performance. Our research questions are thus:

- How are organisational responses to institutional pressure tied to the organisation’s structure?
- Does organisational response to institutional pressure differ at different stages in an organisation’s growth or decline?

Our study is based on a comparative case study design which allows us to compare and contrast two large organisations’ unique responses to similar institutional pressure and speculate on how contrasting organisational structures and resources mould those responses (Greenwood and Hinings, 1996). We use a longitudinal case study of the two leading private school organisations that share a similar past development of growth and exploration into new educational market domains, but which have distinct tactical and strategic orientations. While both organisations witnessed rapid growth since their inception followed by decline, ultimately only one of the organisations survived. We use data on media exposure, legislative changes, and a recent public investigation to investigate institutional pressure on voucher schools in general and the two focal organisations in particular. Interview and archival data from newspapers, press releases and the National Agency for Education are used to explain organisational characteristics and to examine organisational responses to institutional pressure.

Our paper contributes to the research on institutional pressure by identifying how organisational structure moulds companies’ strategic responses to institutional pressure, and furthermore how responses to such organisational pressure may differ during the growth and decline phases of regulated, for-profit organisations. Based on two longitudinal case studies, we construct a timeline from 2000 to 2014 that describes the process of institutional pressure and organisational responses. Our findings indicate the occurrence of five distinct but overlapping pe-
periods of organisational responses: 1) exploration, 2) growth and decline, 3) increased focus on quality and institutional pressure, 4) decline and turnaround, and 5) bankruptcy, all occurring over five distinct but overlapping periods of institutional pressure - three of which concern implementation of new school legislation and two regarding public investigations. In the following section we outline the theoretical foundations for our study. We then describe the research setting, data utilized and the two case organisations. There then follows an analysis of both organisations’ development over a 15 years period. We end the paper with a discussion of the theoretical insights gleaned from our study, together with limitations and avenues for future research.

Theory development and implications

Neo-institutional scholarship recognises that organisational resources and structures are important factors in determining the organisational response to institutional pressure, and scholars have sought to identify and predict various forms of adaption as a result of various antecedents of institutional pressure. Scholars in this tradition has shown that organisations’ reactions to institutional pressure are often contingent on their dependence on external resource providers (Oliver, 1991), power relationships inside the organisation (Pache & Santos, 2010), as well as how organisations struggle for identity when operating in sectors where both welfare logics and commercial logics are present (Battilana & Dorado, 2010). This line of research has, however, been deficient in studies of the dynamic processes by which organisations’ responses to institutional pressure are moulded by both internal and external forces operating at multiple levels of analysis, and how such processes are contingent on companies’ growth or decline over time. Scholars have called for more granular comparative studies which explore the generalisability of responses to institutional pressure in various contexts, stages of organisational maturity and organisational characteristics, as well as additional dimensions emerging from changes by regulators or investors in order to show how easily institutional pressure can be avoided or contested (Pache and Santos, 2010; Oliver, 1991; Battilana and Dorado, 2010). In particular, Oliver (1991: 172) suggests that “Research strategies to investigate the choice process between conformity and resistance need to include perceptual measures [of contingent variables]” and proposes field interviews as a suitable approach to unearth such contingencies.

For this purpose, we draw upon research on strategic responses to organisational growth, decline and turnaround (e.g. Cameron et al., 1987; D’Aveni, 1990) and studies on ownership change (e.g. Lockett et al., 2011) to study voucher schools’ responses to institutional pressure, and how this is moulded by the school organisations’ structure and performance over time. While growth, decline, and turnaround provides a general contingency framework to study the occurrence of institutional pressure and organisational response, organisational structure helps
us to understand of responses to institutional pressures are contingent on “the authority relationships, the reporting relationships, as signified in the organisation chart, the behaviours required by organisational rules, the patterns in decision-making such as decentralisation, patterns of communication and other behaviour patterns” (Donaldson, 1999: :51).

Response to institutional pressure

In her seminal article, Oliver (1991) formulated dimensions of organisations’ strategic responses to institutional pressure that falls into the general categories of either conformity or resistance. Beyond this simple dichotomy, she further highlighted “potential for variation in the degree of choice, awareness, proactiveness, influence, and self-interest that organisations exhibit in response to institutional pressures.” (p. 146). What may explain such variation in organisational responses to pressure has, however, received scant attention in the literature to date. In Oliver’s theory, specific dimensions of organisations’ strategic responses to institutional pressure reflect the level of active response in face of pressure ranging from the minimum level of acquiescence to increasing levels of compromise, avoidance, defiance, and the most active level of response being manipulation. Potential antecedents for organisations’ usage of these responses are noted by Oliver as stemming from the pressure’s cause, constituents, content, control, and context. Pache and Santos (2010) developed Oliver’s conditional antecedents by highlighting more internal oriented organisational structure in order to “understand how organizations manage conflicting institutional demands and why in some cases they are able to turn conflict into an opportunity for institutional agency and strategic choice, whereas in other cases institutional conflict may lead to organisational paralysis or breakup” (p. 457). Such demands tends to occurs at the macro level of the organisational field, but may come from a variety of actors such as the state, media, and organisational collectives such as labour unions’ and interest groups. The more these demands are fragmented, organisations need to be responsive to multiple and often uncoordinated constituents, which increase the risk of irreconcilable conflicts posed on the organisation (e.g., state promoting both centralisation of standard practices and private sector autonomy). If multiple and competing institutional demands are not resolved at the field level, Pache and Santos (2010) explains how these demands are experienced and negotiated within the organisations, e.g., by “staff members, executives, board members, or volunteers who adhere to and promote practices, norms, and values that they have been trained to follow or have been socialized into” (p. 459). A key conclusion from Pache and Santos’ research is that satisfying one institutional demand may necessitate the violation of other demands, which may facilitate resistance despite intentions of conformity.
Organisational relationships and their response to pressure

Stakeholders distinct perception on an organisation’s character may influence the organisations’ reputation and subsequent decisions (Mishina et al., 2012; D’Aveni, 1990). Companies and stakeholders may therefore make decisions based on how they are perceived rather than who they are and what they are capable of. External stakeholders are vital since they confer legitimacy and may also act as resource providers (Pfeffer and Salancik, 2003). Certain stakeholders may be more or less important for organisations depending on their age, size, and the situation of their industry (Jawahar and McLaughlin, 2001). For example, in a study of day care centres in Toronto, Baum and Oliver (1991) found institutional linkages to government (service agreement purchases) and community institutions (to operate within their physical facilities) to enhance organisational transformation and survival. Likewise, Geletkanycz and Hambrick (1997) suggests that intra-industry ties are related to strategic conformity while extra-industry ties are related to adoption of deviant strategies, the latter being more suitable in uncertain sectors.

Challenges with growth

Founders of successful entrepreneurial ventures obtain growth by constantly and rapidly adapting and aligning the organisation to a changing environment (Slevin and Covin, 1997). Growth can be obtained by satisfying customer needs, increased organisational members’ commitment, reduced uncertainty and external control (Whetten, 1987). However, growth tends to come with increased managerial complexity, bureaucratisation, and institutionalisation, which may decrease managerial responsiveness and employee motivation, all which suppress the organisation’s ability to rapidly adapt to the environment (Slevin and Covin, 1997). This makes growth difficult to manage and coordinate for most organisations (Whetten, 1980). Periods of rapid growth are often followed by transitions into stagnation or even decline, managerial sense of infallibility, lack of slack resources, and internal turmoil among current and new employees (Hambrick and Crozier, 1986). The growth literature is to our knowledge mostly concerned with the satisfaction of organisational members and consumers but tend to neglect other external stakeholders.

Ownership change and different ways to grow

When looking at institutional pressure during organisational growth, one needs to account for potential differences in organic or acquired growth (McKelvie and Wiklund, 2010). Schools can grow organically by increasing pupil headcount, opening up new facilities, etc. They can also grow by acquiring other schools and integrate them in current operations. Growing organically or by acquisitions will affect organisation structures differentially, but may also raise different institutional pressures. For example, when growing by acquisitions, pre-existing organisational units (schools) are often integrated in already established organisational
structures with distinct goal setting that may not necessarily be shared among coalitions of organisational members (Cohen et al., 1972). Increased organisational diversity from acquisitive growth may enhance exploration defined as “experimentation with new alternatives… [with] returns [that] are uncertain, distant, and often negative” (March, 1991). Insofar as a common goal is reached among merging units, acquisitive growth may have long-term advantages over organic growth since it accumulates actors from the market into its structure, legitimating its power, authority, and domination over other competing actors (Emerson, 1962). In the short term however, differences in organic or acquired growth may affect the likelihood of decline or failure.

Decline stage
Organisational decline refers to absolute decline of organisational resources irrespective of changes in the environment (Cameron et al., 1987). D’aveni (1989) identifies three absolute decline patterns of organisational resources before bankruptcy: sudden decline followed by immediate bankruptcy, gradual decline defined as low decline rate followed by bankruptcy, and lingering decline defined as fast decline rate followed by significant delay of bankruptcy. Research suggests that similar to rapid growth, organisational decline is difficult to manage in a coordinated fashion (Cameron et al., 1987). While administrative units tend to grow in tandem with operating units, they may not decrease with decline in operating units (Freeman and Hannan, 1975). While deteriorating organisations may receive feedback that spurs action for betterment, overcoming such a downturn is managerially challenging (Cameron et al., 1987; Hirschman, 1970). The central argument that we would like to make, then, is that schools’ organisational structure is contingent on their form and stage of growth or decline; and which may affect perceptions from consumers, legislators, and other stakeholders. Consequently, organisational response to institutional pressure should be studied considering both growth and decline in an inter-organisational setting.

Methods and data
Research setting
The Swedish school deregulation in 1992 was initiated with expectations to increase parental choice, improve quality and cost efficiency in Swedish primary and secondary education. Since the deregulation, however, pupils’ grade performance in math, science, and reading skills has gradually decreased (OECD, 2013). Around two decades after the deregulation of the Swedish school sector it have transformed from a public-sector monopoly into a quasi-market consisting of state-funded private (voucher) schools in competition with publicly funded
schools (Le Grand and Bartlett, 1993). The sector has also undergone a number of legislative changes such as new grading rules in 1994 and a new high school law in 2011. The voucher school sector has also been subject for investigations by both left- and right-wing ruling political party with purpose to find suggestions for legislative changes. While legislative changes did effect the two case organisations in their early development, their later development, during periods of increased ownership concentration has faced mounting public scrutiny regarding the relationship between ownership structure and quality (established in 2011 and published in 2013). This development of Swedish school sector constitute an interesting setting to probe theories of institutional pressure and organisational decline, a setting characterised by both competition and rapid institutional change (Strang and Sine, 2002).

Following the deregulation, the number of privately owned schools in the school sector for education increased rapidly. Also, ownership has become increasingly concentrated, partly driven by rules making mergers and acquisitions being simpler than setting up new schools. The average time to apply and establish a new school exceeds 3 years while acquiring an already established school can be made immediately. Ownership concentration is also driven by the spread of private equity (PE) ownership, motivated by low risk and stable profitability. PE ownership, however, posits challenges for their legitimacy because people may distrust their ability to operate schools (SOU, 2013). In 2011, 552 privately owned voucher high schools were active in Sweden, 38% being owned by PE interests. Around half of Sweden’s 290 municipalities had at least one voucher school, with the majority clustering in metropolitan areas.

The profit margin for the voucher school sector has been estimated to around 7.9% in total, and 2.6% in average for year 2010 (SOU, 2013: :82). Auriol (1998) notes a potential freeriding problem in deregulated markets in which smaller companies ride on larger companies investments that in turn underinvest and may cause quality deterioration that is rectified by policy makers who starts to prefer the monopoly structure.

To date, voucher schools closure have mostly been subjected to stand-alone schools, or minor corporate groups with few numbers of schools attached. However, one major corporate group closed in 2013 due to bankruptcy, which will serve as one of two case organisations. This corporate group was also the first for-profit oriented corporate group that was formed on the market with a market share of 5.7% of all voucher high schools and 12.6% of all pupils in 2011. We compare this organisation with its successor-leading competitor, which will serve as the second case organisation having around 18% of all high schools and 20.7% of all pupils in 2011.

Figure 1 below shows the development of the two case organisations based on their average number of pupils and the total number of schools 1998-2012.
Interestingly, the case organisations experienced stagnation and decline at different time periods in terms of average number of pupils. While both case organisations increase rapidly in the beginning, Academedia later declines while John Bauer continues to increase but later experience decline and eventually bankruptcy. Academedia eventually makes a turnaround and starts to increase its number of pupils. Additional data shows that marketing expenses for John Bauer rose with over 200% during its stagnation period in 2010-2011, indicating loss of its strategic position.\footnote{3}

*Figure 1: Growth, stagnation and decline in the two case organisations, 1998-2012*

### Case selection

This research is part of a larger research project, and the cases are based on ideas from observations made in previous studies regarding market structure. Further investigation in a pilot study seemed to show that the two case organisations generally had similar rate of newspaper coverage, while some variation occurred in the content type covered, the two case organisations seemed to respond differently to public contestations, which fitted neatly with institutional theory on organisational response to institutional pressure. Newspaper coverage is used as one source to investigate institutional pressure, described in later part of this study.
The case selection represents the formation of two dominant actors in a public-private setting characterised institutional pressure from various stakeholders. These two actors have significant influence of power, which is difficult to observe if not using detailed case study approach (Greenwood and Hinings, 1996). Media discourse has been shown to both exert pressure as well as adapting to business organisations (Greening and Gray, 1994). Likewise, because media as well as smaller competitors relies on the largest organisations for references on how business should be conducted (Lounsbury and Rao, 2004), the case selection may thus capture the ‘negotiation’ of field level demands over time that is central in studies of organisational response to institutional pressure.

Comparative case study design
We conduct critical event history to track the development of the two case-studies in order to explain their choice of action and changes over time (Van de Ven, 1992). Both school organisations have experienced rapid growth, establishment of corporate group, and being acquired by PE funds. While the bankrupt school exhibited expansion modes based on both organic growth and acquisitions, the non-bankrupt school where more focused on growth by acquiring of small established voucher schools. Further, the bankrupt school exhibits an organisational structure based on scale (larger schools) whereas the comparison case exhibits a structure based on scope, where many smaller schools are organised under a joint ‘corporate umbrella’ with standardised operating procedures, branding, and the like streamlined form the corporate HQ. Analysis of press releases and archival data shows that tie-building in the bankrupt school focused primarily on establishing ties to experienced managers and businesspersons in geographic proximity of operations, whereas the growing school established ties with leading politicians across the political spectrum in Sweden. Content analysis of press releases and public seminars further indicate that response to institutional pressure from the bankrupt school first focused on conformity but transitioned into a conflicting organising logic with an increasing tendency towards resistance to public scrutiny, whereas the growing school focused on conformity.

Data
We use a broad set of multi-method data since the deregulation in 1992 to 2014 to address our research questions. Company-level panel data has been collected based on surveys by the National Agency for Education. This data includes all elementary- and high schools with year of founding, location, organisational form, number of pupils, and personnel data. Archival data is used to identify a) additional organisational levels of corporate group and PE belonging as well as merger and acquisitions, b) all newspaper coverage from national- and metropolitan level news agencies using Retriever Business database, and c) all press releases, annual reports’ and case organisations’ websites. We use this data to investigate factors
related to (i) institutional pressure, and (ii) organisational conformity and resistance affecting organisational growth and decline.

We also participated in public seminars where representatives from the two school organisations were present; we interviewed the CEOs of both case organisations, as well as head of the board in Academia. We took notes from the interviews but did not use tape recorder. We use the interview data to examine and validate the factors identified as related to institutional pressure, conformity and resistance. We also asked a host of formal and informal questions related to their corporate strategy, their pedagogic ideas, organisation of school activities, and their views on regulators and media.

Analytical procedure
We sequentially gathered facts for each case organisation through sources previously described in the data section. First, we constructed respective case description, which mostly includes a brief overview of the ownership structure using panel data and websites on company information. Second, we complemented the general description with related events using newspaper coverage and annual reports. During this procedure we initially searched for general concepts and themes that could help structuring our study (Gioia et al., 2013). Third, we started to pre-analyse the data by gathering additional theories that helped structuring the subsequent comparative case analysis. In the latter step, we follow Brown and Eisenhardt's (1997) procedure by iteratively comparing similarities and differences between the case organisations while contrasting this to theory in order to lift the level of abstraction and extract conceptual insights.

Case description and ownership structure 1: John Bauer
The first John Bauer school (JB) was founded in 2000 by an entrepreneur, turning JB into a franchise in which external entrepreneurs from different regions were invited to start branches. Entrepreneurs that started franchise schools in one region enjoyed a growth rate of 1000% in three years for which they were awarded the fastest growing company in Sweden in 2007 and 2008. John Bauer (JB) became a corporate group in 2001 with the latest structure consisting of five subsidiaries. These subsidiaries comprise of former partners that were formed in order to expand the JB educational concept throughout the country.

Partnership with various businesspersons and organisations characterised JB since inception. In its founding year in 2000, JB were successfully able to provide a newly established IT and entrepreneurship educational high school program through their partnership with the IT-company IBM and another organisation that provided with externally hired IT teachers working as temporary staff. These ways
of arranging educational programs rapidly increased consumer demand. With domestic success at hand, JB expanded internationally around 2005 in Norway, Spain, and Mexico. A major reorganisation occurred in mid-2006 by internally replacing the parent company (JB Education). The latest organisational structure as can be seen in Figure 2 below was completed in late 2008 when JB Organisation were sold to the Danish PE company Axcel.

*Figure 2: JB’s corporate group structure including mergers and acquisitions, and voucher school foundings before the bankruptcy, 2000-2011*

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**Case description and ownership structure 2: Academia**

The first Academia (AM) school was founded in 1996 and became the first publicly listed voucher school company in 2001 (NASDAQ OMX Nordic Exchange Stockholm, Small Cap) and so far the last after being delisted in 2010. The final pot of schools eventually constituting AM was moulded by its gradual evolution of growth by mergers and acquisitions, which we sketch in Figure 3 below. The arrows in the figure indicate acquisitions by corporate groups (circled boxes), PE investors (squared boxes), and the acquisitions of smaller school organisations (grey-shaded boxes). Dashed squares and boxes indicates companies having exited the school sector.

The first PE company that entered the market was Bure Equity. The dotted arrow from Bure Equity indicates it being the owner of Anew Learning, the corporate group for their voucher school investments. Anew Learning has founded
around half of its total portfolio of schools and acquired the other half. Anew Learning merged with AM in 2007-2008, creating the large corporate group of AM of today. In 2010 the Swedish PE group EQT acquired 79.6% of the shares in AM.

Figure 3: AM’s group structure including mergers and acquisitions, and voucher school foundings into becoming the largest player, 1998-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquired Schools</th>
<th>Founded Schools</th>
<th>Exit of School Chain Owners</th>
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<tr>
<td>2005</td>
<td>20%</td>
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<td>2007</td>
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Note: n= number of acquired schools, f= number of founded schools, striped boxes= exit of school chain owners, *The first school of Didaktus group was founded by Anew Learning in which they acquired additional four schools that later formed this school group.

Case analyses and findings

A timeline that summarises the research setting and our findings from the comparative case study is shown in Figure 4 below. The y-axis in Figure 4 denotes% of negative news reports covering the two case organisations. The x-axis arrays the development across fifteen years. Above the horizontal axis we show the findings from our comparative case study on organisational response, which corresponds to five distinct but overlapping periods: 1) exploration, 2) growth (JB) decline (AM), 3) quality focus and institutional pressure, 4) decline (JB) turnaround (AM), and 5) bankruptcy (JB)
Institutional Pressure and Failure Dynamics

Figure 4: Timeline of critical events, 2000-2013

- Exploration
  - Undefined market
  - Unrealised plans
  - JB: Single sector focus
  - AC: Multi sector focus

- Growth (JB) Decline (AM)
  - Breaking point
  - JB: Single school level focus
  - AM: Single sector focus
  - Quality focus & Inst. pressure
  - Political ties

- Decline (JB) Turnaround (AM)
  - AM: New ownership structure including institutional investors + Advisory board
  - JB: Efficiency & Standardisation

- Public investigation
  - Suggestion: strengthening the link between vocational education and working life

- New experimental school law
  - Regarding apprenticeship educational training; 2000 suggestion stopped

- New school law
  - Simplify per pupil compensation

- Bankruptcy (JB)
  - Pre major M&A’s
  - Post major M&A’s

- Total Negative News Reports (%)
  - JB Negative News Reports (%)
  - AC Negative News Reports (%)

- Public investigation
  - Suggestions: Ownership and school founding restrictions, and increased quality demands.

- New school law
  - Stricter curricula and grading compliance. Required access to student health, career guidance, and physical library
In the first period between 2000-2005 both organisations initially engaged in exploration trying to define the market and how to capitalise on education, whereas JB had a narrow sector focus and eventually only operated high schools. AM exhibited a wide sector focus operating in both the public- and private sector as well as several educational levels. Although both organisations grew during the exploration period, the second period between 2005-2007 characterised by growth (JB) and decline (AM), abandoning previous plans JB concentrated to operate at the high school level alone and AM to only focus on the private sector but on a wide variety of educational levels.

The third period between 2006-2010 characterised by increased quality focus and institutional pressure where the public were perceived to have a distorted view on the organisations that occurred simultaneously with minor reorganisations through merger and acquisitions between 2006-2008, which further intensified after large-scale merger and acquisitions between 2008-2010. During this period the organisations made key managerial recruitment and replacement with industry insiders and outsiders that echoed their propensity towards resistance and conformity.

In the fourth period between 2009-2012 the positions were swapped as the two organisations exhibited decline (JB) and turnaround (AM). During this period, both organisations showed tendency for acquiring political ties. JB’s attempt to manage the decline with efficiency and standardisation eventually led to bankruptcy whereas AM turnaround based on a new ownership structure, including credible institutional investors and the establishment of advisory board with media editors and politicians. The bankruptcy constitutes the fifth and final period.

Below the horizontal line in Figure 4 we sketch the institutional setting, corresponding to roughly five periods of legislative institutional pressure by the government of which three periods regards new school law implementation, and two periods regards public investigation of various school practices. The timeframe from the announcement and initiation of the latter school laws and public investigations (year 2010, 2011, and 2013) are indicated using ‘stretched-out’ bars on left side of the year of implementation to highlight the persistence of institutional pressure as found in our content analysis of annual reports.

Across these periods of institutional pressure below the horizontal line in Figure 4 we also show the% of negative news reports that accounts for case organisations’ negotiations of unresolved field level demands in the public (Pache and Santos, 2010). As commonly used in political science (cf. Althaus et al., 2001) news reports were coded as negative, positive, and neutral using external researchers with inter-coder agreement reaching 78.4%. We show the percentage of nega-
tive news reports based on around 279 newspaper reports in total for both organisations, 173 for JB, and 106 for AM between 2000-2014. AM clearly had an upper hand in news reports coverage without any negativity the first decade while JB showed 20% negative coverage already during the exploration period in 2003, 14% during the growth and decline period in 2006, and around 6-7% negative coverage the first half of the quality and institutional pressure period. Overall negative news reports seems to increase in later years and second half of organisational response reaching around 24% for JB in 2009 and 25% for AM in 2010 when the case organisations promoted quality and around 50% the last two years of the decline and turnaround period in 2011-2012, and 80% in the year of JB bankruptcy.

Exploration, 2000-2005
An initial comparison of the two organisations shows that AM in general focused on academic preparatory oriented education rather than vocational oriented educational programs. These programs are centrally formed, added and removed by government authority through regulations, which school owners in turn can apply for in order to use as pedagogic practice. School owners can also apply to extend with additional programs after school foundings or discontinue programs that experience decline in demand by consumers. While AM had around 63% of all their educational programs preparing pupils for higher education throughout the time period, JB only had around 20% of their programs devoted to this end and 80% on preparing pupils for work. In 2006 the share of academic preparatory programs was around 58% for AM and 10% for JB, and had in 2011 increased with around 50% for JB and 78% for AM.

Both organisations experience rapid growth in the early 2000s. In this period, AM more than double the average amount of pupils but entered into a period of stagnation and volatility (Cameron et al., 1987) after being listed on the Stock exchange in 2001. Stock listing indicates an important transformational event in terms of governance structure (Saunders et al., 1990).

In 2000, JB were granted the first application to start a domestic junior high school that opened in 2002 with a sport and health profile. Although additional five junior high school applications were granted in 2003 - which signify high demand - these openings were cancelled. Rather than pursuing the seemingly successful sport concept that were first intended to be introduced into junior high it was instead transferred into the entire JB concept in 2005.

Archival data also suggests AM to have used an explorative approach in the beginning of their existence in 2003-2004 based on a vision on how to capitalise on education. The vision included the use of technology and the potential of an international market. AM also focused on the private sector exploring the potential to offer staff training. This focus continued for AM throughout the years until
2005, serving both public- and private sector.\textsuperscript{11} Also, JB’s annual statements indicate a wide market focus initially. While JB did establish high schools in other countries such as Spain and Norway, for AM this remained a vision.

Annual statements indicate AM’s reliance on public- and private sector education to be countercyclical, for example, the CEO’s stated that "In a recession, companies invest less in education, while the public sector invests substantial sums in order to reduce the high unemployment..."\textsuperscript{12} Not only was it a perception held by AM but also a way to organise. AM also reorganised their organisation to become more flexible, noting for instance that policies in the public sector may "...change with new conditions in the labour market. This requires a corporate culture with high flexibility and rapid adjustments."\textsuperscript{13} This may have permeated their organisational capabilities to later be able to turnaround the downward spiral in contrast to JB which did not promote or practiced such capabilities (McKinley et al., 2014).

Growth (JB) – Decline (AM), 2005-2007
While both case organisations entered the 2000s with explorative growth period, JB prolonged their growth as of year 2005 whereas AM entered into a decline stage. After JB’s slow start to expand into primary and high school education, they gained momentum around 2004-2006, partly by integrating sports oriented profile into their education by partnering up with the Swedish Hockey League. The strategic choice by JB, however, were not to enter into new niches (primary sector) but rather to extend what was already successful in terms of consumer base (high school sector), which may have been an enabling factor for this rapid growth, but potentially also a precursor to subsequent stagnation and decline.

As shown earlier in Figure 1, during 2005-2007 JB exhibited organic growth by increasing number of pupils. AM instead declined in number of pupils but expanded in number of schools managed. To counter this trend, AM recruited a new CEO with background in the voucher school sector.\textsuperscript{14} On the other hand, JB appointed a new CEO from the employment agency. AM’s CEO recruitment may be considered as industry insider and JB’s as industry outsider (Geletkanycz and Hambrick, 1997). During this period, AM came to focus their operations on managing primary and secondary schools, in which they wanted to manage the whole, publicly available, education chain covering preschool, elementary school, high school, adult education, and vocational training.

This period shows diverging strategies among the two cases with AM focusing on voucher-funded schools at variety of educational levels and JB relying on partners and specific educational profiles in their expansion.
Quality focus and institutional pressure, 2007-2010

In midst of the organisational development, many parameters of institutional pressure functioned simultaneously. In particular, institutional pressures stemmed from operational and administrative changes, legislators and legislation changes, media coverage, and competition. Each of the two organisations’ response to these institutional pressures was characterised by an increased, yet different, focus on their perceived quality characteristics. We here outline these responses to quality focus based on attention to organisational members, legislators, and other stakeholders.

Quality focus in response to organisational members. Despite JB and AM developed in opposite directions based on their distinct strategies, both initiated organisational changes in 2006 in order to improve employee satisfaction and quality. JB seemed to highlight quality focus in which they wanted to invest in modern equipment, good facilities, and competence-development among employees. AM, on the other hand, initiated employee considerations during their decline in 2006-2007. They announced that “An important part of the work in 2006 has been to create a company with a common set of values and corporate culture...Our employees’ motivation and drive is essential for our success.”

Employee considerations and creation of common identity had even higher priority for AM after their second large merger and acquisition wave in 2007, and in 2008-2009, at the end of AM’s operational decline stage, employee issues were among the first thing to be brought up in the company presentation:

For us to be Sweden's leading education company requires skilled, loyal, flexible and dedicated employees...Given that we today are a large corporate group with many employees, the local leadership is increasingly important.

Although both organisations issued employee considerations, JB focused on providing tangible workplace benefits and resources while AM focused on establishing a common organisational culture.

Quality focus in response to legislators. With regards to legislators, AM already had increased risk awareness during smaller acquisition period in 2006-2007. It should be emphasised that Sweden held the general election in 2006, for which AM stated “Operations in AM are directly influenced by political decisions and society's view on education”. After the election year and new school law implementation, they noted in 2007 that the “Education policy changed with the change of government. This places new demands on the players in the public education market”. To this end, AM believed it was important to “…have good insight into the political decision-making processes as well as good contacts with the local authorities.” Likewise, JB explicitly stated in 2007 that they would...
closely monitor the impeding school law and proactively applying and requesting potential new programs that were expected to be introduced by government officials. Before the 2010 year school law implementation, JB forecasted a reduction in revenue of 1-2%, but did little to debate the appropriateness of the legislation. While JB exhibited conformity to legislative changes, AM seemed to have been more proactive in terms of actually reasoning with legislators. For instance, in relation to pre-legislative discussion on the increased profitability, they noted that:

The paradox is that we had an intense public debate in the media about profitability. We have great respect for the different views that exists, but our basic view is that Sweden needs profitable and responsible education companies…This requires resources qualified to invest in quality. At the same time we also want to give bonuses to the owners who want to participate and invest money in education industry.

**Quality focus in response to other stakeholders.** AM, whom in 2008 were reaching turnaround, accelerated their active response to institutional pressure by various stakeholders. In doing so, they went beyond the conforming approach pursued by JB by also seeking to shape the public debate, moving towards manipulative strategic response (Oliver, 1991). AM acknowledged the importance to participate “in the political debate…[but this time] in order to promote a correct status- and business description”, indicating a perception of distorted reputation (Mishina et al., 2012). They also acknowledge additional dimensions of stakeholder interests and opinions regarding quality. AM recognised the emergence of external organisations assessing and presenting different education providers’ results in terms of quality. These evaluations, when published, were also picked up and spread by the media:

Good school management gives better grades. So was the headline of an article in the Daily News…The background was an analysis made by…the Swedish Association of Local Authorities and Regions…The result of the analysis fully supports the vision we have.

In 2008, AM increased the space on quality issues in their annual report to a full page. They also worked indirectly by prodding external support organisations such as the Swedish Association of Independent Schools to lobby their cause. In
2009, AM noted that the public debate was further intensified. Stakeholder pressure was perceived as omnipresent "The debate is on-going on television, on radio, in newspapers and around coffee tables." In 2009, AM increased the space on quality issues in their annual reports to 10 pages. It was also in this context that AM highlighted the strategic importance to diversify their educational programs into a variety of strong brands in order to "spread risks and create coordination opportunities." These analyses indicate AM being aware of multiple institutional pressures, albeit these pressures most likely affect both case organisations. With regards to conformity and resistance, it seems as if AM’s strategy of active response may have enhanced their ability to respond to multiple institutional pressures (McKinley et al., 2014). JB’s strategy of conforming to pressure may instead have inhibited their responsiveness to environmental changes after times of rapid growth (Whetten, 1987; Slevin and Covin, 1997). The fact that JB focused on vocational education indicate JB to have followed opportunities given by legislators without considering potential long-term risks through asymmetric competition and reliance on too small a number of organisational constituents (Emerson, 1962, Pfeffer & Salancik, 2003). In contrast, AM’s acquisition of already established schools with mostly academic orientation helped establish a dominant position in the emerging voucher school sector.

Decline (JB) – Turnaround (AM), 2009-2012

Following institutional pressures and legislative changes, both organisations moved into stagnation around 2009-2010. We here describe how both organisations attended to change their organisational structure, with AM exhibiting increased aspiration towards flexibility while JB exhibited increased tendency for standardisation and centralisation, potentially foreshadowing the prior organisation’s turnaround and the latter’s failure. Both organisations were also acquired by private equity (PE) companies. Although the acquisition of AM seems to have provided enhanced ties to the industry and politicians, an important note is that AM made changes to the ownership structure already in 2009 before being acquired. Soon after becoming PE owned AM’s stagnation started to turnaround into a renewed expansion phase. With rapid growth through mergers and acquisitions, AM made "...change in ownership structure, with elements of more institutional owners," including major banks, insurance funds, and pension funds. AM also pursued new strategic plan and vision by establishing an Advisory Board as well as implementing new management- and governance structures.

Like AM, JB also showed tendency to focus on quality issues during decline and ownership change. However, JB approached the decline phase by seeking to centralise and standardise their operations. They first standardised the brand for all schools, and in 2011 implemented a number of general projects into the corporate group as a whole
...all with the purpose to enhance the quality of operations, improve profitability and increase efficiency... To achieve this, a uniform training concept and our common quality system JBQ has been implemented. The quality system not only gives an index but also distinct forms of goal setting, monitoring and development. To facilitate the teachers' and principals work, a new pupil management system has also been implemented.31

This type of quality-enhancing initiatives in the face of organisational decline resembles similar initiatives, often adopted to gain legitimacy (Westphal et al., 1997).

Our interpretation of the data leads us to suggest that JB seemed to struggle between competing logics of organising that are resolved without attending to a broader array of institutional constituents (Pache and Santos, 2010). In contrast to AM who changed ownership structure to include institutional investors, JB focused on attending to internal organisational structures and processes. Similar processes of internal myopia has been noted in studies of decline (Van Witteloostuijn, 1998; D'aveni, 1989).

Political ties and reactions to institutional pressure

The decline and turnaround phases also brought about intensified attempts in relationship building with stakeholders amongst both organisations. JB appointed as new CEO in 2012 a former political advisor for the voucher school reform in the 1990s and founder of the Swedish Association of Independent Schools. As JB was already approaching bankruptcy by this time, strengthened political ties seemingly did not affect JB's responses to institutional pressure. AM established an advisory board in 2009, initially consisting of professionals such as school principals from higher education and consultants. Following acquisition by a major PE company with a large network, AM’s Advisory Board grew to include many former and current politicians, as well as people at central positions in media.32 AM also appointed a former right-wing Member of Parliament and editorial writer on national news to the board33, and employed left-wing debaters sympathetic to voucher schools as lobbyists and writers34. Some advisory board members were eventually brought in as top managers or board members.35

Judging by the negative news report coverage as presented in Figure 4 above, JB clearly had a disadvantage while the coordinating efforts by AM may have served to legitimate their practices. Despite JB’s attempts to adapt to increased media attention and legislative changes, organisational changes were often communicated with animosity. In a public seminar – half-year before the bankruptcy
– JB’s newly appointed CEO ventilated on institutional pressure facing his organisation from the Education Agency:

…The [Inspection] reports…are almost like a checklist if we meet all legislative requirements…the gender perspective, the equal treatment plan, and all sorts of things, which of course we should have, but as a parent these inspection reports…are almost useless, you cannot use them to determine if this is a good school…

JB’s response to news report covering the national inspections by the Education Agency, in which the organisation turned out to have most schools with inadequate physical library were the following:

We have not given priority to prepare the physical space and the library of the old kind rather [to] purchase digital resources and ensure that our pupils have access to…computers that are connected to the network…

In contrast to these statements, AM’s communication of their organisational procedures and attention to quality were more consistent over a long period of time and through various channels.

The bankruptcy of JB had significant direct and indirect ripple effects on other Swedish voucher schools, including AM. First, AM’s owner employed JB’s last CEO as vice president in another voucher schools organisation they hold a stake in, Kunskapsskolan, signifying the dense social network among managers and investors in the Swedish voucher school sector.37 Second, AM acquired a large percentage of JB’s schools. According to press release by JB, all elementary schools were handed over to AM, the high schools were distributed to around 7 new owners, and for pupils in JB-schools without new owners were arranged transfer to other school organisations.

Discussion

In this study, we aimed to explore the relationship between organisational responses to institutional pressure as contingent on organisational structure during periods of organisational growth and decline. Our study was based on a comparative longitudinal case study of the two largest school organisations in the Swedish voucher school sector. Using newspaper coverage, regulative change, and ownership change as factors for institutional pressure, and press releases, annual reports, and interviews, we identified both external and internal factors shaping organisational responses to institutional pressure.
Our study identifies five distinct but overlapping periods with differing responses to institutional pressure: 1) exploration, 2) growth and decline, 3) increased focus on quality and institutional pressure, 4) decline and turnaround, and 5) bankruptcy, all occurring over five distinct but overlapping periods of institutional pressure – three of which regards new school law implementation and two regarding public investigations. Our findings suggest that the predominant internal or external perspectives on organisational responses on institutional pressure (Oliver, 1991; Pache and Santos, 2010) may mask important nuances of internal and external responses working in tandem. The simple distinction between resistance or conformity to institutional pressure is temporally contingent on the growth and decline of the two largest Swedish voucher school organisations, with AM being more strongly marked by strategic resistance and JB marked by conformity. Our study shows how resistance can be successful when relying on established organisational structures and ties to external stakeholders, while conformity does not automatically translate into survival-enhancing conditions as earlier theorised. Investigating institutional pressure during organisational growth and decline allows us to extend recent empirical work focusing on already established organisations (Dhalla and Oliver, 2013).

Our comparative case study lends itself to theoretical rather than statistical generalisation, which nevertheless provides thoughts about more general contingencies by which organisations respond to institutional processes. While Pache and Santos’s (2010) theory addresses the external environment as institutional field and internal environment as organisational members, most organisations today are dependent on a variety of constituents that may not be formal members. The theoretical insights gleaned from our case study may thus be of relevance also in other settings.

Our study of Swedish voucher schools highlight how such informal constituents can shape organisations’ responses to institutional pressure, for example by using external partners to increase pupil demand, or by using ties to politicians, media and interest groups to gain external legitimacy. This leads us to answer our research questions posed that various forms of organisational responses to institutional pressure simultaneously operate at different levels. Organisations’ responses towards conformity and resistance are readily tied to their structure and stage of development, with conformity and resistance relevant both internally and externally.

Our study provides several seeds for further theorising on organisational reactions to institutional pressure during periods of decline or growth, and how the outcome of such reactions are also contingent on other dominant organisations’ reactions. For instance, organisational change made subsequent to institutional
pressure for fast growing organisations may lag behind institutional pressure enacted by competing organisations that remain small. If substantiated in future studies, these findings would bridge insights from the ‘negative spillover’ from certain organisations’ deviant behaviour to the area of organisational responses to institutional pressure, as well as the potential outcomes from such responses (Jonsson et al., 2009).

Finally the processes explained in our case study may potentially add to our understanding on the relationship between domination and exploitation, and conditions under which they prevail. We described the emergence and formation of oligopolies in a recent deregulated public sector, showing that not only do organisations adapt to legislators but legislators are also susceptible to the behaviour of dominant organisations. (Michels, [1911]1962; Tolbert, 2010).

Our study also comes with limitations and suggestions for further research. First, the panel data that we use for the two case organisations to identify growth and decline only covers elementary and high schools, and not other educational levels that they operated in, such as, Adult Education and Advanced Vocational Education. Although we used sources, such as, annual reports and newspaper reports to include some of these aspects future research may further investigate such nested systems using panel data. Second, we conducted open-ended interview in a pilot study only once with the CEO and Board of Director and have thus not been able to contrast our understanding of the data with the point of view of managers, employees, owners, and external stakeholders. Further research could broaden the perspective of institutional pressure from other stakeholder by using even more extensive data, in order to sharpen the perceptual understanding and links between the concepts here studied. Finally, our findings lends themselves to theoretical rather than statistical generalisations (Svenningsson et al., 2012). Further studies are needed on larger samples of organisations decline and/or growth, including perhaps public schools, to scrutinise and verify the contingent responses to institutional pressure that we sketch in this paper.

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References
Institutional Pressure and Failure Dynamics


Institutional Pressure and Failure Dynamics


Notes

1 Skatteverket 2012: Tax planning in business in the welfare sector (‘Skatteplanering i företag inom välfärdssektorn’): https://www.skatteverket.se/download/18.2b543913a42158ac8f00018634/1359706121733/Skatrapport+Skatteplanering+i+w+v%C3%A4lf%C3%A4rdssektorn.pdf.

2 Estimated using operating margins (= operating income/revenue). Only around half of the companies in the estimation had less than 4 percent operating margins, and only 15 percent had negative operating margins.

3 Data on marketing expenses obtained by the market research company TNS-SIFO that annually surveyed advertisement agencies on school organisations expenditure between 2000-2011.

4 We are aware that information from annual reports may lag (mostly a year). We triangulated the data on events using source such as websites, transaction dates, etc., in order to verify the occurrence of the events (Yin, 2011).

5 The merger took one year and initially was framed as Anew Learning acquiring close to half of Academedia in 2007, but in 2008 Academedia purchased all shares in Anew learning and acquired 44 of its schools, the 7 remaining schools transferred in 2009. Bare Equity maintained 13.88% of the shares in Academedia.

6 Since the license application to start a school takes around two years, some new foundings may in fact have been made by the previous owner. For instance, 1 school within the NTI/MTG and 4 Drottningblanka schools were founded the same year as EQT acquired Academedia, and 2 Drottningblanka schools two years after the acquisition. 2 schools within the Framtidsgymnasiet group, 2 within the Rytmus group, 3 within the Vittra corporate group, and 4 within IT Gymnasiet group, which is displayed as being acquired by Anew Learning, were founded under EQT ownership. Finally, 5 acquisitions by schools merged into Pysslingen corporate group were made under EQT ownership. NTI were split into two divisions after acquisition, in which NTI were kept and a new division created called ‘MTG’ (‘Mikael Elias Teoretiska Gymnasium’) named after the founder whom were invited to join the board of Academedia.

7 Detailed method description on how newspaper reports were obtained and processed are available upon request.

8 In its initial years at the stock market, AM had a volatile development with negative operating margins the first three years (-24.4% in 2001, -30.8% in 2002, and -40.7% in 2003). In the subsequent years, however, AM had an increasing trend of positive operating margins except for 2005 (6.6% in 2004, -7.9% in 2005, 4.8% in 2006, 8.9% in 2007, 7.2% in 2008, 8.6% in 2009, 10.1% in 2010, and 8.5% in 2011, etc.).


10 Here we use the government education agency school application archive that registers all activities since the approval of the owner, such as date of approval, changes in school name, legal appeals, etc. In this case, JB’s five junior high schools were registered and approved but has never been active on the market.

11 Including adult education, labour market- and rehab training, consultancy (Academedia learning consulting, Academedia education, Academedia network, Academedia validation, Academedia outsourcing).


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He was recruited from a competing private school organisation that was governmentally owned operating several schools under a corporate group. The company operated various forms of employment training education as well as voucher high schools much like AM.

As mentioned, Academia acquired large voucher school organisations (NTI, LBS, and DBG) in 2007 and engaged in even larger merger and acquisition in 2007-2008 with the private equity school owner Bure Equity (see case description). Despite a decline in average number of pupils per school, Academia’s reported record profits in 2006 (see footnote 21).

AM Annual report (2006), p. 4, statement by CEO.


JB Mid Annual report (2007).

JB Mid Annual report (2009), p. 3

AM Annual report (2007), p. 6, statement by CEO.

AM Annual report (2008), p.11.


AM Annual report (2009), p. 22.


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http://www.academedia.se/intervju-med-widar-andersson/

http://www.academedia.se/sofia-larsen-ny-och-grundskolechef-pa-academedia/

Statement by JB’s CEO at a Seminar held 2012-12-04 at SNS (Think Tank) in Stockholm, Sweden. Seminar recordings (sequence 1:01:30-1:01:57) available at: https://soundcloud.com/snsinfo/2012-12-04-lyfter-friskolorna

Seminar held 2012-12-04 at SNS in Stockholm, Sweden. Seminar recordings (sequence 1:11:54) available at: https://soundcloud.com/snsinfo/2012-12-04-lyfter-friskolorna