ENTREPRENEURIAL EXIT RESPONSE TO DISSATISFACTION WITH PUBLIC SERVICES

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Following Hirschman's seminal *Exit, Voice and Loyalty*, an exit response to dissatisfaction with public services is often portrayed as a replacement of one service provider with another, depending on the availability of alternatives. This article enriches Hirschman's typology by conceptualising an 'entrepreneurial exit' response referring to citizens who exit proactively by creating a viable alternative themselves. The practical aspects of entrepreneurial exit are analysed based on five manifestations: planned homebirth, homeschooling, urban self-defence groups, children with disabilities, and claim clubs in the American West. Whereas citizens' roles within the public service sphere are referred to as 'participators', 'customers', and 'co-producers', entrepreneurial exit indicates the entrepreneurial role citizens may play. Similar to the additional forms of exit, entrepreneurial exit becomes meaningful if the newly introduced form of service gains social acceptance, especially when it reflects policy non-compliance within which laymen are transformed into providers of professional services.

'But, in truth, there is constant improvement precisely because there is constant discontent'

(Thomas B. Macaulay, 1848)

A key to successful management of public services is to satisfy citizens' needs, wants, and expectations (Denhardt and Denhardt 2007; Löffler *et al.* 2008; Osborne 2010). Satisfaction with public services reflects citizens' perceptions of their quality of life (Michalos and Zumbo 1999) and is linked to their trust in government (Van Ryzin 2007). Hence, measures of citizens' satisfaction are considered a central indicator for service quality (Kelly and Swindell 2002; Osborne 2010), and scholars have devoted considerable attention to the question of how citizens' dissatisfaction is manifested in action (Tiebout 1956; Orbell and Uno 1972; Lyons and Lowery 1989; Lyons *et al.* 1992; Dowding and John 1996, 2008, 2012; James and John 2007). Citizens' responses to dissatisfaction with public services have been characterised mainly in terms of *exit* and *voice*, based on Albert O. Hirschman's seminal typology (Hirschman 1970), which distinguishes between exit, an economic action, and voice, a political act. Loyalty was introduced to explain the inter-relationships between exit and voice, and as a mechanism to suppress exit and encourage voice: [loyalty] 'holds exit at bay and activates voice' (Hirschman 1970, p. 78; henceforth, EVL).

EVL was subsequently refined, extended, and changed. For example, later loyalty was offered as an additional behavioural response and EVL was extended to EVLN, with an additional response, neglect (Rusbult *et al.* 1982; Lyons and Lowery 1989). Whereas loyalty and neglect reflect a passive response to dissatisfaction, voice and exit reflect an active one: voice denotes an attempt to improve the existing service through expressions of dissatisfaction, either on the individual level (e.g., filing a complaint with a relevant authority) or on the collective level (e.g., joining interest groups and demonstrations), whereas exit refers to replacing one service provider with another and thus presupposes availability of alternatives.

Although not explicitly defined as choosing among existing alternatives, exit is by and large discussed as such. One form of evidence for exit as dependent on existing alternatives

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are Hirschman's (1970) examples for exit response: exit from Nigerian railroad to trucks and buses; exit from a public school to a private school; exit from one investment opportunity to another; exit from one neighbourhood to another; exit from one political party to another; and exit from one union to another. Moreover, Dowding and John (2008, 2012) specify different forms of exit, each of which depends upon existing alternatives and they explicitly argue that exit response is replacing one provider with another 'where one is available' (p. 45). Hence, the common and accepted meaning of exit is a reactive response to existing available alternatives.

Nonetheless, citizens may exit proactively by initiating, producing, and delivering alternative services, mainly for their own use (e.g., deciding to home school). This reaction, termed here as 'entrepreneurial exit' response, does not align with the accepted reactive sense of exit, which depends on the availability of viable alternatives. In an attempt to enrich Hirschman's notion of exit, this article focuses on exit response to dissatisfaction that reflects a proactive approach on the part of citizens, as they undertake responsibility for a service – often specialised and complex – that traditionally was borne by a governmental organisation with professional expertise. Citizens who engage in an entrepreneurial exit endeavour may choose to forgo subsidised government supply and may display policy non-compliance, i.e., behaviour that is not consistent with, and may at times contravene, the objectives of current policy.

Practising entrepreneurial exit involves a renegotiation of the *status quo* as it concerns social and political arrangements, a process that has three main implications. First, traditionally, citizens have been 'clients', 'customers', or 'co-producers', and recently they have been 'participators' in the public service sphere. Nevertheless, they may play an entrepreneurial role as well, as initiators and to some extent as competitors to existing governmental services. Second, entrepreneurial exit embodies a transformation of laymen into providers of professional service, and thus undermines the authority and hierarchical superiority of professional public services. Third, entrepreneurial exit gives a new meaning to the notion of *choice* as through the initiation of new forms of service citizens actively broaden the variety of available alternatives. Importantly, the scope of this study is to suggest that citizens may play a proactive role in public services provision, and to introduce entrepreneurial exit as additional form of exit response. Hence entrepreneurial exit is discussed theoretically and empirically, whereas normative discussion as regards entrepreneurial exit should be further discussed in future research.

The article proceeds as follows. The next section reviews the literature on public services, focusing on citizens' satisfaction, dissatisfaction, and expectations regarding public services. This review elaborates on responses to dissatisfaction and points to the absence in the literature of a proactive exit response category. The following section introduces the concept of entrepreneurial exit in both theoretical and practical aspects. The practical aspects of entrepreneurial exit are discussed through cases where it has challenged common public services, namely childbirth, schooling, policing, and property rights legalisation. The final section discusses possible implications.

CITIZENS' DISSATISFACTION WITH PUBLIC SERVICES

Although public services affect the daily lives of virtually everyone (Savas 1978) and are a key element in political and social life, this concept is 'seldom defined, and then usually only in relation to specific disputes' (Hood and Miller 2009, p. 2). The process of public service delivery is regarded as intrinsically valuable, as it involves the kind

of interaction between citizens and government that is assumed to promote democracy, community building, and a more socially equitable system of service provision (Potapchuck *et al*. 1998; Denhardt and Denhardt 2007). Citizens may follow three different patterns of service consumption: as 'customers', who choose among an array of alternatives; as 'clients', who are dependent on a single service provider; or as 'captives', who are coerced into a service interaction (Hyde 1991). Whether citizens are considered as 'co-producers', 'consumers', 'customers', or 'participators' in public services production and delivery, the performance objective of public services refers to citizens' satisfaction with public services (Kelly *et al*. 2002). Citizens' satisfaction with public services, and specifically its sources, measurements, and implications, continues to be an important research agenda in public administration (Swindell and Kelly 2000; Van Ryzin 2004, 2006, 2007; Van Slyke and Roch 2004; Greasley and John 2010). By and large, citizens' satisfaction 'is generally taken to mean an evaluative attitude towards some object or experience' within the public sphere, such as the political process, public services, bureaucracy, political institutions, and other aspects of government performance (James 2009, p. 2; see also Brown and Coutler 1983; Newton and Norris 2000). Essentially, the main reason for citizens' dissatisfaction with government is 'government failure', i.e., inefficient provision of governmental services (Weimer and Vining 2005).

Until recently, the influence of expectations on satisfaction with public services was not explored in any meaningful way (Van Ryzin 2004, 2006; Roch and Poister 2006). However, a fundamental factor in citizens' satisfaction with a public service is their perceptions and interpretations of their experiences, that is, their beliefs regarding what will or should happen as a result of their consumption of a given service (Van Ryzin 2004, 2006; Roch and Poister 2006; Osborne 2010).

Citizens' responses to dissatisfaction constitute a political behaviour that reflects their attitudes, and are significantly linked to the content and practice of citizenship (Lyons *et al*. 1992). Much of the research on citizens' dissatisfaction is concerned with possible responses and how citizens select among them. The most prominent conceptual framework is offered by Albert O. Hirschman (1970) in *Exit, Voice and Loyalty: Responses to Decline in Firms, Organisations and States*. Hirschman's typology expounds reactions to dissatisfaction with the quality of an organisation, making a case for three possible strategies – exit, voice, and loyalty. By exiting and turning to a different provider, individuals express their dissatisfaction with a product or a service by 'voting with their feet'. The voice strategy is a more direct expression of dissent, which is essentially an attempt to affect the organisation and improve conditions through active and constructive communication in the form of either dialogue or protest. The loyalty response is regarded by some researchers as a mechanism to increase voice (Hirschman 1970; Dowding and John 2008), while it is considered by others as a response strategy that reflects a passive yet optimistic anticipation of improvement (Rusbult *et al*. 1982; Lyons and Lowery 1989; Lyons *et al*. 1992). The choice between the aforementioned three responses depends mainly on the possibility and cost of exit and on citizens' belief that improvement is possible. Thus, while the responses of voice and loyalty imply that the individual believes improvement to be practically possible, exit implies no such belief.

Rusbult *et al*. (1982) identified an additional response to dissatisfaction – 'neglect' (yielding the so-called EVLN model). Neglect reflects a passive attitude vis-à-vis worsening conditions, a significant decrease in resource investment, and development of a

negative stance. Exit and voice are both active responses, in that they involve a purposeful action; loyalty and neglect are passive stances towards dissatisfaction. In addition, voice and loyalty are constructive responses, in that they are oriented towards improvement and satisfactory renewal, while exit and neglect represent a destructive position (Rusbult *et al*. 1982).

Based on the EVLN model, Lyons and Lowery (1989) introduced an integrated framework that encompasses the full range of citizens' behavioural and attitudinal responses to dissatisfaction, especially regarding urban politics, emphasising the relevance of EVLN for citizens' dissatisfaction within the public domain. Their typology identifies four categories of citizens' responses to dissatisfaction.

Refining exit and voice responses

To provide a more nuanced assessment of Hirschman's original framework, Dowding and John (2012) introduce a theoretical elaboration of Hirschman's model '[t]o move away from using exit and voice as a metaphor and towards a theoretical framework to analyse a variety of political choices and situations' (p. 38) by distinguishing among different types of exit and different types of voice. Exit may take one of the following forms: (1) an internal exit – leaving one public provider for another public provider without changing the service area, that is, when choice is available (e.g., if an area enables a choice between public schools or moving a child from a conventional public school to a charter school); (2) private exit – leaving public service provision for private service provision (e.g., from a state to a private school, or exchanging a national health service for a private health provider). This form of exit refers to service privatisation as noted by Lyons and Lowery (1986); (3) geographical exit – leaving the jurisdiction of one public provider for another; and (4) Tiebout exit – geographical exit where the reason for moving is to change provider, i.e., relocation in order to change the service area of a specific provider (such as a school or a health care service). This form of exit refers to Tiebout's (1956) model of 'voting with the feet' by moving to a more efficient jurisdiction. Voice can be either individual or collective. Individual voice refers to a private complaint to a formal institution about a good or a service. Collective voice refers either to voting or to collective action (e.g., organising or joining a pressure group).

Exit and voice may be regarded as mutually exclusive and thus the availability of exit is inimical to voice (Hirschman 1993). However, exit and voice may also be regarded as complementary responses that can be exercised simultaneously – a strategy that has sometimes been referred to as 'noisy exit' or 'alert citizen' (Barry 1974; Laver 1976). Exit, as opposed to voice, always entails some kind of cost for the dissatisfied. Voice, on the other hand, may be regarded as 'cheap talk' but can also sometimes entail cost. The cost of exit is considered largely to depend on the existence and availability of alternatives, and relates to the cost of replacement of one alternative with another. As alternatives become more available and as replacing one provider with another becomes easier, the cost of exit for the individual is reduced, so that under some circumstances, exit may even prove less expensive than voice. Nevertheless, if individuals understand that opting for exit might increase their bargaining power (because for an organisation exit is almost always more costly than voice), this might also decrease the cost of voice. As a result, the individuals in question are impelled to increase their voice activities (Gehlbach 2006).

ENTREPRENEURIAL EXIT RESPONSE TO DISSATISFACTION

The above discussion leaves out the possibility of a proactive exit response that involves the initiation of an alternative form of service by citizens themselves. This exit response reflects the assumption of public service production and delivery by citizens. As such, it accords with the term 'entrepreneur', coined by French economist Jean-Baptiste Say, to denote an economic actor 'who undertakes' a significant project or activity (Say 1971). Whereas the common meaning of exit is a *reactive* action that is fully contingent upon the availability of alternatives, this entrepreneurial exit is different: a person acts *proactively* to create an option rather than replacing one provider with another. Importantly, the common meaning of exit as contingent upon the availability of alternatives is evidenced in many studies which draw on the EVL conceptual framework to examine citizens' responses to dissatisfaction.

In his original framework, Hirschman (1970) did not refer to the distinct forms of exit, and did not specify that exit refers only to existing alternatives. Nonetheless, some evidence indicates that exit strategy refers to choosing among existing alternatives rather than to the option of creating an alternative by dissatisfied individuals themselves. One example involves tying exit to the availability of substitutes: 'Hence the rapid exit of the highly quality-conscious customers ... is tied to the availability of better-quality substitutes at higher prices' (Hirschman 1970, p. 51). In general terms, Hirschman mainly refers to 'private exit', that is, leaving public service provision to private service provision (for a full discussion, see Dowding and John 2012).

Hirschman's two main examples provide additional evidence: one is schooling, in which dissatisfaction may lead to exit from public schools to (existing and available) private schools; the second example refers to exit from the Nigerian railroad to transportation by trucking or bus companies. Lastly, Hirschman's (1970) examples do not suggest the possibility of creating an alternative. Even when discussing competitive political systems, he does not mention the possibility of creating a new party, but rather emphasises that societies with stable party systems 'have often denounced the competition of the dominant parties as offering ''no real choice''' (1970, p. 28). Theoretical and empirical developments of EVL (mainly Lyons and Lowery 1989; Lyons *et al*. 1992; Dowding and John 1996, 2008, 2012) which emphasise that different forms of exit should be distinguished for analytical accuracy, do not refer to a form of exit in which citizens create the alternative themselves. Further, they explicitly mention that exit depends upon existing alternatives.

By opting for entrepreneurial exit, people perceive *choice* not only as a possibility to change providers, but also as an option of creating one independently and tailoring it to their specific needs. This creation of a new form of service accords with the notion of entrepreneurship as an exploitation or creation of new opportunities (Drucker 1985; Shane and Venkataraman 2000; Casson 2003; Choi and Shepherd 2004). In addition, it exemplifies the notion of 'entrepreneurial citizens' as they 'maximise [their] lifestyle through acts of choice' (Rose 2000, p. 99).

Entrepreneurial activities are characterised as innovative (Casson 2003), as changing the rules of the game, and as implying a refusal to accept familiar arrangements as given, by calling into question fundamental assumptions about what is possible (Klein *et al*. 2010). By responding through entrepreneurial exit in spheres that have hitherto been regarded as strictly professional, citizens change the rules of the game: they provide new solutions to problems at the heart of the citizen–government relationships: What is the role of citizens in the production and delivery of public services? Is there a need

for professionalism to produce and deliver a public service? And who may provide and deliver a specific service? In refusing to accept reactive roles, citizens not only question what is possible but also assert their right and competence to initiate alternatives, with or without government approval. The alternative service resulting from the entrepreneurial-exit initiative often replaces a specialised and complex service that was traditionally managed by a professional governmental organisation. Hence, it undermines the status of government as a body solely responsible for service management. Moreover, often entrepreneurial exit reflects policy non-compliance, i.e., behaviour that is inconsistent with current policy or contradicts it.

Like entrepreneurs who are known to take risks while facing uncertainty (Drucker 1985; Choi and Shepherd 2004), entrepreneurial 'exiters' take risks in two ways. First, undertaking responsibility for a service, which was formerly the responsibility of the government, shifts accountability for failure (or success) from government professionals to the individual citizens. Second, as they do not follow current governmental arrangements and may even be acting illegally, they might risk being subjected to official sanctions. Entrepreneurs are also often portrayed as refusing to take 'no' for an answer, as they relentlessly pursue their visions (Bornstein 2007). At times, entrepreneurial exit starts as individuals or small local informal organisations do not comply with current policy. Consequently, if the government rejects their form of exit, the citizens, on their part, have to struggle for governmental legitimacy by practising individual and collective voice, while refusing to take 'no' for an answer.

The evolvement of entrepreneurial exit
Entrepreneurial exit takes place as citizens, either individually or in a small group, dissatisfied with the form or quality of a public service, end their relationship with a governmental provider of a public service or ignore this relationship. Simultaneously, they proactively create an alternative service. Like other forms of exit, entrepreneurial exit may occur sporadically and on a one-time basis; for example, if one decides to pave a road to his/her house him/herself. However, similar to the additional forms of exit, entrepreneurial exit becomes meaningful if others join: if others choose to innovate the same way or adopt the new alternative, that is, if the newly-introduced form of service gains social acceptance and becomes, at least to some extent, competition to the existing forms of services. Government may adopt this new form of service and support it.

For example, in the case of home hospitalisation, governments have been supportive of citizens' preference to treat their relatives at home (mainly AIDS patients), rather than to hospitalise them for long periods of time. Nonetheless, government may resist this alternative form of service, and therefore, sporadic attempts may be taken by citizens to legitimise the new form of service, mainly through the legal system. Moreover, self-help groups may be formed to support the new form of service. If governmental resistance persists, citizens may organise a formal interest-group (or groups) to practice collective voice in an effort to change current policy, so that the alternative form of service will receive official legitimisation.

These efforts may bear fruit at least in two ways: the new form of service, which was entrepreneurially initiated by dissatisfied citizens, receives official legitimisation from the government. Alternatively, the government may change its policy to acknowledge citizens' new ideas as reflected in the new form of the public service. Hence, entrepreneurial exit may be considered to evolve from sporadic instances to social acceptance, and then to official legitimisation.

ENTREPRENEURIAL EXIT RESPONSE IN PRACTICE

In order to demonstrate how the theoretical arguments advanced in the preceding sections are applied in practice, five manifestations of entrepreneurial exit response have been selected on the basis of theoretical sampling (Eisenhardt 1989), in which particular instances of entrepreneurial exit response are examined to refine ideas, to develop emergent themes, to assess their adequacy and relevance, to identify conceptual boundaries, and to elaborate on the various manifestations (Charmaz 2000). These entrepreneurial exit manifestations were selected according to the following considerations. First, to provide a rich and nuanced portrayal of entrepreneurial exit, the cases selected have become socially accepted and have, to some extent, gained official legitimacy. Second, cases were selected to demonstrate that entrepreneurial exit may take place in various public services domains. Lastly, cases were selected to demonstrate that entrepreneurial exit has been taking place during different periods of time. Recent entrepreneurial exits are planned homebirth and homeschooling, and an earlier case refers to urban self-defence groups, which emerged during the 1960s in the United States as a community-oriented form of crime prevention. An additional case took place after the Second World War as parents, following their dissatisfaction with the policy of segregation at that time, initiated schools for their 'retarded children', as they were then termed. The earliest case is a nineteenth-century phenomenon in the American West, called 'claim clubs' or 'squatters' clubs', which were mobilised by frontier settlers to defend their property rights (see Appendix for a summary).

Each of the following cases reflects: (a) an exit, i.e., citizens end or ignore their relationship with a public service provider following their dissatisfaction; and (b) entrepreneurship, i.e., innovation, risk taking, creation of new opportunities, and questioning the *status quo*. Entrepreneurship is also evidenced in the refusal to take 'no' for an answer while struggling for governmental legitimisation. Cases are discussed according to the evolvement process of entrepreneurial exit, starting from dissatisfaction and creation of an alternative service, evolving to social acceptance which is followed by collective action, struggling for official legitimacy.

Following their dissatisfaction, citizens end or ignore their relationship with the provider of a public service and create an innovative alternative themselves

Testimonies for dissatisfaction

Homeschooling parents express dissent with the quality of public education in general and with schools in particular (Collom 2005; Bielick 2008). They argue that traditional schools have lost their credibility (Guterson 1992), and that they are destructive to children's moral and intellectual development (Lubienski 2003). Specifically, they refer to school environment, safety, peer influences, and poor academic instruction (Collom 2005; Princiotta *et al*. 2004). They also explicitly claim that they can do a better job than the 'impersonally bureaucratic' formal educational system (Lubienski 2003).

Women who homebirth respond to their dissatisfaction with customary medical arrangements of childbirth services that reflect a technocratic approach to birth (Davis-Floyd 1997). Furthermore, they express an increased level of satisfaction with the option of planned homebirth (Janssen *et al*. 2006).

The Self Defense Guard was mobilised in 1956 in North Carolina to protect community members from the violence of the Ku Klux Klan (Farrell *et al*. 2002). The Maccabees, organised by ultraorthodox Hasidic Jews in Jewish areas in New York in 1964, was founded

following dissatisfaction with increasing incidents of crimes, especially towards women and children (Johnson 2011). The Black Panther Party for Self Defense was founded in Oakland in 1965 following dissatisfaction with what was perceived as racist tendencies of the Oakland Police Department (Burns 1995). In general, self-defence groups, which mobilise in order to take an active role in law enforcement, express dissatisfaction with police failure to keep order or security for the citizens (Marx and Archer 1971). At times, these groups mobilise following dissatisfaction with the legal system as well, which fails to meet their needs and standards of their protection (Farrell *et al*. 2002).

Parents of children with special needs were dissatisfied both with the exclusion of their children from public education as well as with the deplorable conditions that their children had to endure in school (Dunn 1958; Yell *et al*. 1998). Moreover, there exists an overall consensus that parents' dissatisfaction with their children's segregation served as the driving force behind the major societal and policy change in the question of what the rights of children with special needs are and how to appropriately educate them (e.g., Dunn 1958).

The public domain in the American Western frontier was under a state-ownership regime. In practice, land was allocated among frontier settlers, often referred to as squatters. Nonetheless, they could not secure their legal titles (Babcock 1949). Dissatisfied with the unwillingness or inability of the government to defend their claims or protect their assumed property rights, as well as with the external threat to their claims, frontier settlers organised 'claim club' organisations as an alternative form of public service to protect their property rights, and to constrain the chaos of the frontier (Murtazashvili 2009).

Exit by proactive creation of an innovative, 'non-compliant' form of service
Homeschooling was considered deviant to public education, especially when it first became publicly apparent. For example, homeschooling parents in 1983 were reported as 'taking the law into their own hands' in the United States (Stevens 2001). In Germany, parents had to move to Austria or the United States in order to practice homeschooling (Martin 2010). Homeschooling parents themselves refer to their choice as 'a socially unorthodox route to child rearing' (Divoky 1983, p. 397), and even after official governmental recognition, homeschooling is still seen as undermining the roots of traditional public education by rejecting governmental involvement in education (Lubienski 2003; Gaither 2009).

The childbirth service is internationally regarded as a central part of the right to health. Hence, women who choose to give birth at home voluntarily relinquish a fundamental social right. Women, mostly white upper-middle-class and college-educated, choose to homebirth even though childbirth has come to be seen as a dangerous procedure, requiring medical control (Fullerton *et al*. 2007; De Jonge *et al*. 2009). Specifically, planned homebirth is seen as fraught with medical risk for the mother and the baby, whereas hospital births are safer (Bastian *et al*. 1999; Freeze 2010). Accordingly, planned homebirth is not consistent with the objectives of childbirth policy or may even contradict them, and is therefore not condoned by the government, professional organisations, the insurance industry, or even society, for example in the United States (Cassidy 2006).

Self-defence groups have been mobilised by citizens in order to take an active involvement in law enforcement in lieu of police protection (Marx and Archer 1971; Farrell *et al*. 2002). One example is the Self Defense Guard that was organised in order to 'serve as a shield for local Civil Rights activists and was prepared to use military tactics if necessary' (Brady 1981, p. 167). Some self-defence groups follow an attempt to fill a discernible void in areas where the police have not provided protection, whereas others take extra legal

action where the regular police and legal systems are already functioning (Brown 1969; Marx and Archer 1971; Farrell *et al*. 2002). Urban vigilante groups, which emerged during the 1960s as a new community-oriented form of crime prevention, were motivated to defend their own community citizens (Skogan 1975; Johnson 2011). These groups formed an alternative citizens' protection service: neighbourhood citizens' patrols. Specifically, the Maccabees' patrols were contacting the police and 'holding the marauders' when a crime was encountered (Johnson 2011), whereas the Black Panther Party for Self-Defense was founded to protect African-American neighbourhoods from police brutality itself (Farrell *et al*. 2002). Indeed, the Maccabees soon enjoyed police auspices (Pick 1981), whereas the Black Panther organisation was engaged in violent confrontational tactics against police activities that they perceived to be biased or corrupt (Knopf 1969; Marx and Archer 1971).

After the Second World War, learning handicapped, speech handicapped, behaviour disordered, mentally retarded, physically handicapped, sight impaired, hearing impaired, and the multiply handicapped were excluded from the mainstream public schools in most of the Western democracies, including, for example, the United States, Germany, and the United Kingdom (Heyl 1998; Katsiyannis *et al*. 2001; Powell 2003). Their exclusion was practiced either by placing them in special institutions or by isolation within public school facilities (Katsiyannis *et al*. 2001). Families were often forced to secure education and related services elsewhere, often at great distance from their homes and at their own expense, so the education of students with disabilities was seen as a privilege rather than a right (Huefner 2000). Parents began to band together to establish alternative educational facilities for their children on their own. In the United States, local initiatives emerged during the 1930s and 1940s. In 1933 the first group of five mothers of intellectually disabled children banded together and established a special class for the children, sponsored by the parents themselves (Yell *et al*. 1998). In Canada, parents of children with special needs founded the first school for their children in a church hall in 1974 (Dunn 1958). In Germany, parents, motivated to integrate handicapped children with non-handicapped children, established an integrated all day-care kindergarten. They received financial support from the city. However, they took full responsibility for organising the programme, finding the space, cooking the food, and choosing the full-time staff (Heyl 1998).

Importantly, providing equal opportunities for children with special needs serves today as a leading educational principle and receives wide consensus (unlike homeschooling). However, half a century ago, segregation of children with special needs was the consensus in many Western democracies, as can be evidenced by court rulings. In the United States, for example, court rulings systematically backed school officials who decided to exclude children with disabilities from public schools (Yell *et al*. 1998). One extreme example is the State of North Carolina in 1969, which made it a crime for parents to persist in forcing the attendance of a child with disabilities after his exclusion from the public school (Weber 1992).

Frontier settlers, who were often portrayed as entrepreneurs (e.g., Murdoch 2001), had moved into the public domain before it was surveyed or opened for sale (Babcock 1949). Thus, upon arrival, their first concern was to stake a claim, in order to legalise property rights (Anderson and Hill 2004). Their moving was, to a large extent, an illegal act, based on federal and state legislation that determined property rights (Babcock 1949; Anderson and Hill 2004). Specifically, they were illegal occupants of land owned by others, including governments or private citizens (Murtazashvili 2009). In order to secure their assumed

property rights, they proactively developed alternative, self-enforcing institutions, called 'claim clubs' (Babcock 1949). Claim clubs informally replaced governmental services as regards assigning titles, establishing trade alienability, resolving conflict over ownership, and in general, increasing claim security (Murtazashvili 2009). In practice, claim clubs undermined the state ownership regime, which was based on Congress's authority to allocate legal titles to public land (Murtazashvili 2009).

Social acceptance increases: additional citizens innovate (or adopt the innovation) and self-help communities emerge

Homeschooling virtually disappeared with the adoption and enforcement of compulsory education laws (Ross 2010). Recently, homeschooling has re-emerged and is rapidly gaining popularity in many Western democracies; in the United States, Canada, the United Kingdom, and Australia it has grown exponentially as an educational phenomenon (Meighan 1995), becoming a permanent, albeit still small feature of the educational landscape (Bauman 2001). Similarly, after almost disappearing during the twentieth century, in the past several decades, the number of planned homebirths has been steadily increasing throughout the Western world (MacDorman *et al*. 2010). For both of these cases, the internet serves as an infrastructure to form self-help communities. The internet enables families who have had the experience of homebirth to share it with others, thus serving as a substantive source of information and support for those who are considering this possibility. The internet serves homeschooling parents by sharing resources, such as curriculum materials and ideas for activities, and by providing emotional support and endorsement for parents' decisions to take their children out of the social environment of the school (Basham *et al*. 2001).

According to Rosenbaum (1988), '[c]ommunity crime prevention has emerged as a major *alternative* and supplement to the criminal justice system' (p. 323, emphasis added). Specifically, (a) groups similar to the Self Defense Guard have been mobilised throughout the United States, 'affirming citizen commitment to offer protection and security in neighborhoods when the police refused to perform their duties' (Farrell *et al*. 2002, p. 367); (b) despite continuous concerns over racism and vigilantism, in just two years, the first citizens' patrol in Brooklyn turned into a model for additional neighbourhoods, which also organised patrols to fight street crime (Johnson 2011); and (c) during the late 1960s and early 1970s the Black Panther Party for Self Defense attracted individuals from many areas of the black community as well as activists, students, and politicians. It changed its name to the Black Panther Party and gained national and international recognition, becoming a most potent political force (Lazerow and Williams 2006).

Since the Second World War, almost simultaneously all over the world there has been a tremendous upswing of interest in children with special needs (Dunn 1958), giving rise to the idea that children with disabilities should receive equal opportunities. In the United States, the local initiatives of parents establishing schools for their children had gained ground during the 1930s and 1940s, also serving as self-help groups to provide an opportunity of support for other parents, allow for a venue to express voice and frustration, afford a means to band together to make local change, and ultimately to set the stage for a national advocacy movement (Yell *et al*. 1998). As the number of parent groups increased, they joined together in provincial organisations and began to press for financial assistance for their schools from school boards and

provincial departments of education (Yell *et al.* 1998). Landmark court decisions supported organisations which struggled to ensure state responsibility to educate children with disabilities. For example, the Pennsylvania Association for Retarded Citizens v. Commonwealth (1971) and Mills v. Board of Education of the District of Columbia (1972) established the responsibility of states and localities to educate children with disabilities based on the equal protection clause of the Fourteenth Amendment to the United States Constitution (Lloyd and Hallahan 2007). Similarly, in Canada, in many provinces, the associations for retarded children were, in fact, greatly assisted by their government departments of education, departments of health and welfare, and the mental health services, although not officially recognised (Dunn 1958). Additional evidence for social acceptance is the explicit statement of the World Health Organisation: 'The education of all children, both normal and subnormal, should be the responsibility of the educational authorities, and no artificial barriers should be erected between normal children and those for whom special provision has to be made' (cited in Dunn 1958, p. 662).

As settlers moved west in search of new opportunities on public lands, claim club organisations had been enforcing presumptive rights in the absence of state enforcement (Murtazashvili 2009). According to Murtazashvili (2009), the first documented claim organisations emerged in Pennsylvania in 1769, as squatters along Lycoming Creek formed an association called the Fair Play System with rules for claiming land. Although practising a direct violation of federal law, additional claim clubs were rapidly established in Illinois, Wisconsin, Iowa, Minnesota, and Nebraska (Boorstin 1967).

Practising organised collective voice for official legitimisation

For many years homeschooling remained largely illegal, and parents who opted for it were exposed to legal liability. The Homeschooling Movement in the United States was founded by John Holt, an American educator, who founded a magazine in 1977, *Growing without Schooling*. Holt's homeschooling movement rapidly grew into a mass movement that eschewed collective voice (McDowell and Ray 2000) in an attempt to have homeschooling recognised as a legitimate alternative to formal education. Their collective voice resulted in court decisions, which prompted statutory reforms and later precipitated a judicial revolution, so that by 2000, homeschooling had become legal in many of the states in United States, and many states laws were changed to require school districts to provide some services to homeschooled children, such as access to specialised courses (Cooper and Sureau 2007). Except for Germany and the Netherlands, in all European countries homeschooling is legal. However, the increasing numbers of homeschooled children during the last decades have resulted in governments setting separate rules for homeschooling (Blok and Karsten 2011).

As birth has come to be seen as a dangerous procedure, requiring medical control and intervention, many Western democracies implemented policies that rejected the option of planned homebirth (for example, the United States and Israel). Nonetheless, recently, changes in policy have taken place, mainly through midwifery laws and legal decisions regarding the practice of homebirths, which have recognised planned homebirth as a legitimate service alternative. These changes have followed the collective voice of interest-organised groups, such as the Alternative Birth Movement.

Citizens' initiatives for community-oriented crime prevention planted the seeds for the community-policing movement, which views the public as a co-producer of public safety (e.g., Bayley 2002). Specifically, citizen neighbourhood patrols have turned into community-policing programmes, such as Neighbourhood Watch, thousands of which have served as the 'backbone of the Nation's community crime prevention effort' (Garofalo and McLeod 1988, p. 1).

The Black Panther Party patrols to evaluate behaviour of police officers had been the predominant model of community–police relations prior to the proliferation of community–policing partnerships during the 1980s (Farrell *et al.* 2002). The legitimisation of this activity may be evidenced in a bureaucratic response to the entrepreneurial exit in which civilian review boards were organised so that 'citizens could play a direct role in the operational oversight of police' (Farrell *et al.* 2002, p. 367). Although the Black Panther Party did not receive official recognition and was persecuted by the FBI and the police, '[t]he Panthers elaboration of a black urban terrain, to be defended from the police incarceration, inspired an important new movement against police brutality in hundreds of communities in the United States' (Self 2000, p. 769).

Parents of children with special needs banded together at the national level in the 1950s and called for full integration of children with special needs into the mainstream public schools (Yell *et al.* 1998). Two decades later, in 1970, the Education of the Handicapped Act (EHA), was passed, later renamed the Individuals with Disabilities Education Act (IDEA; Katsiyannis *et al.* 2001). These laws required public schools to provide specialised educational services to children with disabilities. Interestingly, this entrepreneurial exit of parents had turned not only into a legitimate option (like homeschooling), but rather into a preferred governmental policy internationally.

Claim clubs created an effective informal contracting regime in a chaotic frontier environment. However, their activities were not solely intended to solve disputes among the settlers themselves. The claim clubs extensively practised political collective action in order to secure these legal privileges from Congress and the states as well (Murtazashvili 2009). When they were unsuccessful in obtaining legal title though lobbying, they often engaged in collective action to manipulate federal land auctions to obtain their desired result (Murtazashvili 2009).

To conclude, entrepreneurial exit starts with dissatisfaction which leads to proactive creation of an alternative service. As additional citizens adopt the alternative, it gains social acceptance. The alternative form of service may affect policy either as it becomes officially recognised as legitimate (such as with homeschooling and planned homebirth) or by triggering changes in public service provision to address citizens' dissatisfaction (such as integration of children with special needs, community policing, and the property rights regime).

IMPLICATIONS

Within customary government–citizen arrangements, the exit response to dissatisfaction with public services reflects a reactive replacement of one service provider with another provider. A proactive exit response, termed here as 'entrepreneurial exit', refers to the creation of an alternative form of service by the citizens themselves, which may reflect policy non-compliance, as it reflects a transition of laymen into professional service providers. Citizens undertake responsibility for professional public services, which were

previously under the jurisdiction of the government, and initiate innovative alternative forms of services, thus acting as entrepreneurs.

The entrepreneurial exit response publicises a 'left out' role of citizens in the production and delivery of public services. Scholars who emphasise the *service* aspect of a public service tend to regard citizens as 'co-producers', on the grounds that one cannot consume a service without affecting it to some extent (e.g., Bovaird 2007; Osborne 2010). Those who follow the New Public Management approach emphasise the 'citizens-as-customers' ethos (Hood 1991). Both of these roles accord with the view that citizens should participate and become involved in decision making. Indeed, the nature and form of public service management and provision have ceased to be the preserve of professionals alone (Buckley 2003; Bovaird 2007). According to the public value approach, citizens may be regarded as 'shareholders in how their tax is spent. . . Ultimately, the [public] value – such as better services. . . is decided by the citizen. Citizens do this through the democratic process, not just through the ballot box, but through taking part. . .' (Horner and Hazel 2005, p. 5).

Nevertheless, citizens' roles as co-producers, customers, and participating in the decision-making process are still regarded as first and foremost *reactive.* They are expected to react to governmental pro-activities through participating in the decision-making process or to express their dissent, one way or another. The *proactive* role is of the government, which is expected to establish a 'market' of service alternatives, reduce barriers for citizens to participate in designing public services, explore citizens' needs and expectations, and look for improvement strategies. Entrepreneurial exit undermines this dichotomy: acting as entrepreneurs, citizens proactively initiate alternative forms of services.

As mentioned, this study does not present a normative argument as regards entrepreneurial exit. Moreover, entrepreneurial exit reflects the well-known tension between order and freedom in a democracy. Presumably, advocates of entrepreneurial exit will emphasise that it may contribute to the development and implementation of new ideas and to the creation of new opportunities that become available to the public at large. Opponents, on the other hand, will emphasise that entrepreneurial exit fundamentally challenges public service provision, challenges the authority and legitimacy of the government, and casts doubt on the professionalism and knowledge of employees of public service organisations, such as teachers, physicians, policemen, and school principals.

To further understand the phenomenon of entrepreneurial exit and its implications, future research should explore who the citizens are that opt for entrepreneurial exit and why; what political, economic, and social arrangements encourage or enable entrepreneurial exit; and what the consequences of entrepreneurial exit are for public service provision, for social solidarity, and for social equity.

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APPENDIX

TABLE A1 *Entrepreneurial exit in practice – summary of cases*

Case	Prior to the exit – social perspective	Prior to the exit – policy perspective	Dissatisfaction	The exit	Purpose of exit	Collective voice	Medium/long-term perspective
Home-schooling	Virtually disappeared with the adoption and enforcement of compulsory education laws.	Explicitly illegal in USA, Germany, and the Netherlands.	With the quality of public education, and with schools in particular: school environment, safety, peer influences, and poor academic instruction.	Education of children within the home setting, independent of formal schooling.	To educate their children in a safe environment and provide them with interesting and meaningful educational experiences through individualised education and cultural enrichment.	The [modern] homeschooling movement in the USA gained ground through national media appearances, legislative and courtroom testimony, as well as speeches to sympathetic communities, by its two leaders Moore and Holt. Research publications which also supported the homeschooling alternative. Supreme Court decisions.	By 2000 in USA, homeschooling had become legal in many of the states. State laws were requiring school districts to provide services to homeschooling children. Even in European countries where homeschooling is legal, separate rules were recently set for homeschooling.
Planned home-birth	Almost disappeared during the twentieth century.	Explicitly illegal (USA), or non-compliant (Israel).	With the customary medical arrangements of childbirth services which reflect a technocratic approach to child birth.	Giving birth at home with/without a midwife.	To give birth in a relaxed, familiar, and intimate environment that is precluded in any medical institution.	Formally constituted organizations of local, national, and international scope. Members are health care professionals, midwives, and parents and families. Their activities include sponsoring speakers, meetings, and conferences, organising political lobbying efforts, publishing advocacy, reference, and training literature, as well as endorsing the work of scholars which supports movement aims.	Recent legal decisions and policy changes, mainly through midwifery laws, have recognised planned homebirth as a legitimate alternative.

TABLE A1 *Continued*

Case	Prior to the exit – social perspective	Prior to the exit – policy perspective	Dissatisfaction	The exit	Purpose of exit	Collective voice	Medium/long-term perspective
Urban self-defence	Police and the criminal justice system as the sole responsible to public safety.	The police and judicial authorities bear the responsibility for maintaining public order	With police failure to keep order or security for the citizens: local violence and incidents of crimes or racist tendencies of the police.	Citizens mobilize urban self-defence groups.	To take an active involvement in law enforcement in lieu of police protection.	Community crime prevention programmes take a major alternative and supplement to the criminal justice system. Community-policing programmes take a central role in the community crime prevention efforts.	Police and public are recognised as co-producers of public safety.
Children with special needs	Children with special needs were excluded from the mainstream public schools in most of the Western democracies: by placing them in special institutions or by isolation within public school facilities.	Official segregation of children with special needs: families were forced to secure education elsewhere, at great distance from their homes and at their own expense. Education of students with special needs was seen as a privilege, rather than a right.	Exclusion of children with special needs from public education and with their deplorable conditions in school.	Parents band together to establish alternative educational facilities for their children on their own.	To provide their children with special needs equal opportunity and integrate them in the mainstream public education.	Parents' groups joined together in provincial organizations and press for financial assistance for their schools from school boards and provincial departments of education. Landmark court decisions supported organizations which struggled to ensure state responsibility to educate children with special needs.	Entrepreneurial exit alternative – integration of children with special needs – has turned into a leading policy.

TABLE A1 *Continued*

Case	Prior to the exit – social perspective	Prior to the exit – policy perspective	Dissatisfaction	The exit	Purpose of exit	Collective voice	Medium/long-term perspective
Claim clubs	Settlers/squatters were moving into the public domain before it was surveyed or opened for sale.	The public domain was under state-ownership regime. Federal and state legislation determined property rights.	Unwillingness or inability of the government to defend settlers' claims or protect their assumed property rights.	Settlers developed self-enforcing institutions – claim clubs, which informally replaced governmental services as regards assigning titles, establishing trade alienability, resolving conflict over ownership, and in general, increasing claim security.	To resolve property disputes among settlers and in order to secure their legal privileges from Congress and the states.	The claim clubs extensively practised political collective action, mainly through lobbying and manipulating federal land auctions.	Claim clubs created an effective informal contracting regime in a chaotic frontier environment and serve as the primary mechanisms of change in property laws.