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# **How Valuable is Experience? Examining the Impact of Founder Experience on Nonprofit Start-Up Success**

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Nonprofit entrepreneurs face a number of liabilities that are particularly significant during the emergent phase of a new nonprofit. Using a human capital perspective, this study examines the influence previous experience plays as it relates to nonprofit organizational start-up success. The study draws on a sample of 118 nascent nonprofit entrepreneurs. The results from a logistic regression analysis show no significant impact with regard to education or prior nonprofit management experience. The results, however, show that prior start-up experience significantly enhances the likelihood of start-up success.

**Keywords:** Nonprofit Founder, Experience, Start-Up

Creating a new organization from scratch is not an easy undertaking. As Low and MacMillan (1988) have noted more than three decades ago, “the list of potential pitfalls associated with starting a new venture appears limitless” (p. 142). Entrepreneurship researchers have long attempted to figure out what factors help explain why some entrepreneurs are able to launch new organizations when others are not? Two factors recurrently mentioned as essential for early start-up success among external stakeholders (e.g., investors) are the entrepreneur’s previous industry experience and prior start-up experience (Hall & Hofer, 1993; MacMillan, Siegel & Subbanarasimha, 1985). Research on business entrepreneurs also substantiates the idea that prior experience enhances both the survival and performance of new firms (Delmar & Shane, 2006; Dencker, Gruber & Shah, 2009; Hopp & Sonderegger, 2015).

While interest in nonprofit entrepreneurship appears to be resurging (Andersson, 2016; Dollhopf & Scheitle, 2016; Tan & Yoo, 2015; Thomas & Van Slyke, 2018), the impact of previous experience as it relates to nonprofit organizational start-up success is a topic that, to date, has received scant scholarly attention (for an exception see Simón-Moya, Revuelto-Taboada, & Ribeiro-Soriano, 2012). There are examples of qualitative case studies (e.g., Carman & Nesbit, 2013) and descriptive analyses (e.g., Lecy, Van Slyke, & Yoon, 2016) that have examined the prior industry experience of nonprofit entrepreneurs. However, these studies have focused exclusively on start-up efforts which resulted in up-and-running nonprofits. To overcome this selection bias, and to further advance the role previous experience may play for the process of nonprofit entrepreneurship, we also need to consider and include the experience of nonprofit entrepreneurs *not* succeeding in launching a new nonprofit (Simón-Moya et al., 2012).

Using Stinchcombe's (1965) liability of newness concept as a starting point, which argues that such liabilities are particularly significant during the emergent phase of new organizations (Aldrich & Yang, 2012), this article uses a human capital lens to examine the impact of previous experience on nonprofit start-up success among 118 nascent nonprofit entrepreneurs in the Kansas City metropolitan area. The nascent entrepreneur concept first emerged in the business entrepreneurship literature to describe individuals engaged in the process of founding a new firm, commonly referred to as the nascent or gestation phase (Reynolds, 1997). This is the phase where nascent entrepreneurs undertake purposeful and intentional actions to construct an organization (Katz & Gartner, 1988).

Nascent nonprofit entrepreneurs can, therefore, be understood as individuals exhibiting intent to start a new nonprofit (Andersson, 2016); and, start-up success is thus reflected in the actual creation and launch of an operational new nonprofit. Because the start-up process can be disbanded at any time after nascent nonprofit entrepreneurs first exhibits their start-up intent, "success" in this very early stage of the nonprofit entrepreneurship process is best represented by not disbanding the start-up process, rather than by performance metrics (e.g., number of beneficiaries served or revenue generation).

The subsequent section offers a more detailed explanation of the liability of newness concept and discusses why this concept is central when examining nonprofit entrepreneurship. This is followed by discussion of how a nonprofit entrepreneur's human capital, as manifested by educational level, prior nonprofit management experience, and prior start-up experience, can aid in mitigating the liability of newness. Next, a description of the sample of nascent nonprofit entrepreneurs used in this study, the key variables for the analysis, and the results from a logistic regression analysis are presented. The article concludes with a discussion of the findings and a call for more research to advance our understanding of the role that experience plays in understanding nonprofit entrepreneurship.

### **Nonprofit Creation and the Liability of Newness**

Every year nonprofit entrepreneurs launch a significant number of new nonprofit organizations. Data from the Internal Revenue Service (IRS) shows that the number of registered nonprofits increased more than 10% between 2005 and 2015 (McKeever, 2018). Though the nonprofit sector has been depicted as having low barriers to entry, in actuality creating a new operational nonprofit organization is not an easy undertaking (Frumkin, 2002). Previous research indicates nascent nonprofit entrepreneurs experience a multitude of problems during the start-up phase (Andersson, 2019); and, frequently these entrepreneurs elect to stop or disband the start-up process altogether (Andersson & Ford, 2017).

One of the most influential perspectives for comprehending the difficulties confronting new organizations was outlined by Stinchcombe (1965). He stressed the many vulnerabilities facing entrepreneurs attempting to start a new organization; and, he argued that the risk of failure during the emergent phase of an organization is amplified as the nascent entrepreneur must address a number of complex challenges (Aldrich & Yang, 2012). Some of the most significant challenges include amassing and marshaling critical resources, creating new routines to orchestrate internal and external relationships, and constructing systems for generating and delivering goods and services. Taken together, these challenges generate what Stinchcombe (1965) characterizes as a *liability of newness* for new organizations.

The liability of newness concept has long been utilized in nonprofit scholarship. Nonprofit organizational ecologists have highlighted the liability of newness as a key component for understanding the births and deaths of nonprofits (e.g., Galaskiewicz & Bielefeld, 1998; Tucker, Singh & Meinhard, 1990). Others have employed the liability of newness concept to demonstrate how new nonprofits face various legitimacy hurdles.

For example, Wiewel and Hunter (1985) pointed out how new nonprofits have no operational or financial history, which limits their legitimacy in the eyes of others. This also makes it difficult for these organizations to secure resources from external actors. Just as a new firm will often struggle to prove that it is a worthwhile investment to external funders, “[...] new not-for-profit community organizations have a hard time convincing foundations, corporations, and city departments of their worthiness. The problem for a new organization is that it has nothing to offer but promises” (Wiewel & Hunter, 1985, p. 486).

The viewpoint that the liability of newness creates challenges in procuring resources from funders was also emphasized in Chambré and Fatt’s (2002) examination of the life and death of new HIV/AIDS nonprofits. Simón-Moya et al. (2012) used a liability of newness lens to analyze survival rates in a sample of over 200 newly launched Spanish social ventures. They reported that approximately half of the organizations were still alive after three years of operations and found a significant positive relationship between survival and amount of start-up capital secured. Finally, in their review article focusing on the success and failure factors of nonprofits, Helmig, Ingerfurth, and Pinz (2014) concluded that the liability of newness argument remains a powerful lens for comprehending nonprofit failure.

Although Stinchcombe’s ideas appear to have gained acceptance among nonprofit scholars, there are still areas where the liability of newness concept remains understudied and underutilized. One such area is the study of nascent entrepreneurship. According to Aldrich and Yang (2012, p. 9), “[...] most research invoking the concept of the ‘liability of newness’ has actually focused on organizations that have already gone through the emergent phase which most concerned Stinchcombe.” For example, scholars have targeted young organizations identified in public records (e.g., the IRS database for tax-exempt organizations). However, Aldrich and Yang posited that such studies “include mostly hardy survivors” (Ibid.) and not the kinds of organizations that are most vulnerable to the liabilities of newness.

Evidence that many nonprofits die while emerging was recently provided by Andersson and Ford (2017). They studied the entry and exit of new nonprofit voucher schools from 1991 to 2015. In their study, they found that 70% of new schools failed during the nascent stage.

According to Aldrich and Yang (2012), when considering the liability of newness in an emerging organization focus inevitably turns to the difficulties confronting the founder(s). That is, scholars will benefit from, and should pay more attention to, ways that nascent entrepreneurs cope with the challenges of launching new organizations. Taking a step in this direction, the next section outlines how the experiences of the nascent nonprofit can aid in mitigating the liability of newness.

### **Overcoming the Liability of Newness: The Role of Human Capital**

Organizational scholars have long explored factors that impact the ability of new organizations to overcome the liability of newness (for an overview see Carroll & Hannan, 2000). For the most part, this literature has focused on environmental or macro factors (e.g., industry characteristics, barriers to entry) as well as individual or micro factors (e.g., founder demography). This article focuses on the latter because previous nonprofit studies have predominantly examined macro factors (e.g., Chambré & Fatt, 2002; Hager, Galaskiewicz & Larson, 2004) and because of the centrality of the founder in the nascent process.

Specifically, this article focuses on a nascent nonprofit entrepreneur’s human capital to explore whether a difference in human capital endowments affects the rate of start-up success. The human capital perspective is rooted in economics and proposes that an individual’s stock of knowledge contributes to their cognitive abilities. This, in turn, leads to more productive and efficient potential activity (Becker, 1964; Schultz, 1959).

According to Davidsson and Honig (2003), there are two types of knowledge (beyond possible innate abilities), “know-what” and “know-how.” These types of knowledge help contribute to an entrepreneur’s human capital. “Know-what” knowledge is accumulated via formal schooling and training. “Know-how” is a tacit form of knowledge that is accumulated via practical learning and experience. These types of knowledge interact as the entrepreneur decides to initiate the start-up process; and, they are postulated to be positively correlated with start-up success (Ibid.).

### *Formal Education*

Schooling has long been a key variable in human capital research, partly driven by the fact that formal education is one of the most easily observable elements of human capital investments (Becker, 1964). Through formal education, individuals not only obtain fundamental abilities but are also believed to develop skills that are important for entrepreneurial action, e.g., problem solving and leadership aptitudes. This notion was explicitly highlighted in Dollhopf and Scheitle’s (2016) nonprofit entrepreneurship study, where they argued that “[h]igher levels of formal education may grant founders with the skills, confidence, and higher intellectual capital to make the founding process faster and more orderly [...]” (p. 262).

Better educated entrepreneurs also have more elaborate social networks due to their longer stay in the education system. These social networks are beneficial when attempting to start a new organization (Ucbasaran, Wright & Westhead, 2008). Moreover, education is associated with higher average earnings (Psacharopoulos, 1994), which ought to make it easier to overcome some of the financial hurdles associated with starting a new nonprofit (Andersson, 2019).

Previous research suggests that college educated individuals are more likely to be social entrepreneurs (Van Ryzin, Grossman, DiPadova-Stocks & Bergrud, 2009). Leczy et al. (2016) also found that individuals starting new nonprofits reported having graduate degrees and that their reported average income was almost twice the national average.

Although formal education appears to be a relevant factor in the nonprofit entrepreneurship process, we still know little in terms of how education impacts start-up success. Simón-Moya et al. (2012) offered a rare examination of the survival of newly founded Spanish social ventures. They found a positive relationship between education and survival for new for-profit enterprises. However, they found no significant relationship between education and new social ventures. Simón-Moya et al.’s (2012) study, though, did not consider emerging organizations, which means we still need additional research to better understand the role of education for nascent nonprofit entrepreneurs.

### *Nonprofit Management Experience*

There are two reasons to believe that nascent nonprofit entrepreneurs’ previous nonprofit management experiences are important to consider when examining the start-up process. First, in addition to the skills obtained via formal education, important information and several key competencies can be learned by being active in the nonprofit sector (Dollhopf & Scheitle, 2016; Leczy et al., 2016). This knowledge might be connected to vital features that go into the nonprofit start-up process, including how a nonprofit board is structured and operates, how to fundraise in a particular niche, and how to evaluate program outcomes. Nascent nonprofit entrepreneurs with more nonprofit management experience might also have a better understanding of how to effectively communicate and interact with clients, board members, regulators, and funders (among others). Such understanding is often only made available through participation.

Second, previous management experience can help build social and/or professional ties (Lecy et al., 2016). These ties can be vital as the nascent nonprofit entrepreneur seeks commitment and/or funding from various external actors. These ties can also help bring greater legitimacy to the emerging nonprofit organization. All of these effects are even greater if nascent nonprofit entrepreneurs create a new nonprofit in the same mission area where they have prior management experience. This experience coupled with the different ties can be more effortlessly transferred from the prior settings to their new nonprofit (Simón-Moya et al., 2012).

Interestingly, empirical research suggests that many founders of new nonprofits have rather limited management experience in the nonprofit sector. In their study of over 800 nonprofit entrepreneurs, Lecy et al. (2016) found that only three out of 10 nonprofit entrepreneurs reported having most, or all, of their previous work experience in the nonprofit sector. Carman and Nesbitt (2013) interviewed members of new nonprofits and found only 10% had had previous experience working for a nonprofit, though 20% reported that they had previous experience from their volunteering efforts.

### *Start-Up Experience*

Creating a new organization has been depicted as an experimental learning process of trial and error (Gartner, 1985). Put differently, entrepreneurs are often required to test different alternatives and, in some cases, go in a completely different direction in order to move forward with their start-up efforts. Furthermore, some entrepreneurship scholars argue that creating a new venture involves a certain number of unique features that are uncertain, i.e., they cannot be planned ahead of time because these features are not yet known or even knowable at the time for the entrepreneur (Sarasvathy, 2001).

Taken together, key knowledge about creating a new organization is often learned through action; and, this knowledge tends to be tacit. The know-how from previous start-up experience is, therefore, considered beneficial if/when an entrepreneur decides to create another organization. Indeed, it constitutes a particular type of human capital that is difficult to obtain via other means (Delmar & Shane, 2006).

In particular, previous start-up experience can provide vital insights into many of the factors Stinchcombe (1965) associated with the liability of newness, for example, how to develop roles and responsibilities in the emerging organization or how to establish links to important external resource providers. Moreover, it seems reasonable to assume that nascent nonprofit entrepreneurs with prior start-up experience can have a better idea of which start-up activities to prioritize compared to novice nascent nonprofit entrepreneurs. Finally, as discussed earlier, a key challenge facing many new nonprofits is their lack of legitimacy. Thus, prior start-up experience can serve as a signal of legitimacy in the eyes of external stakeholders. This, in turn, may positively impact a nascent nonprofit entrepreneur's chances of obtaining key start-up resources (Lecy et al., 2016).

There few examples of nonprofit studies examining the role of prior start-up experience. Lecy et al. (2016) noted the importance of start-up experience for nonprofit entrepreneurs. However, they reported no data on how many of the over 800 nonprofit entrepreneurs that they surveyed had previously started a new organization.

A study by Van Ryzin et al. (2009) suggests social entrepreneurs are more likely to have prior experience managing and owning their own business. However, they did not distinguish between having owned, and having managed, a prior business in their questionnaire. As such, it is impossible to know how many of the respondents in their study had prior start-up experience.

Dollhopf and Scheitle (2016) studied of over 700 nonprofit entrepreneurs having launched new religious nonprofits. They reported 36% had founded a nonprofit before and 39% had founded a for-profit before. Although this study clearly demonstrates that prior start-up experience is a common feature among nonprofit entrepreneurs, they did not account for nonprofit entrepreneurs who were unable to launch new religious nonprofits.

The purpose of this study, then, is to fill this void in the literature. As indicated thus far, research points to the potential role that a nascent nonprofit entrepreneur's human capital can play in mitigating the liability of newness. In this study, I explore this notion via an analysis of the start-up efforts by nascent nonprofit entrepreneurs.

## **Data and Methods**

The data for this project was taken from two follow-up surveys from participants partaking in a free workshop, offered six times a year, called "Planning a New Nonprofit: Essential Planning Steps and Legal Requirements." The workshop is organized by the Midwest Center for Nonprofit Leadership (MCNL) in Kansas City, MO. The workshop covers information about how to become a formal nonprofit organization and it is directed toward (and attracts) nascent nonprofit entrepreneurs, i.e., those showing intent and being engaged in activities that are intended to culminate in a viable nonprofit organization.

It is vital to acknowledge that this does not represent a random sample. It is also important to note that not all nascent nonprofit entrepreneurs can, or elect to, attend a start-up workshop. Furthermore, by participating in the workshop, the nascent nonprofit entrepreneurs may have obtained information that other nascent nonprofit entrepreneurs do not have access to. It is certainly possible that this information, then, can impact the likelihood for start-up success. As such, it is important to be aware of the potential selection bias associated with the sampling strategy employed in this study.

The two follow-up surveys were not identical. However, they included a set of common core questions. The first common question related to start-up status. Each respondent was asked to indicate the current status of their start-up effort:

- a) My organization is operational and currently running,
- b) I am no longer attempting to start up a new nonprofit organization,
- c) I am still in the process of attempting to create a new nonprofit, and
- d) other status, please explain.

To create a clear juxtaposition between those who succeeded at starting a new nonprofit and those that did not, this study only included respondents answering either "a" or "b." The surveys also asked about the number of founders involved in the start-up process, basic demographic questions (e.g., age and gender), as well as three dichotomous questions about education (e.g., whether the nascent nonprofit entrepreneur had earned a college degree), prior start-up experience (e.g., if the nascent nonprofit entrepreneur had ever started a new organization before), and nonprofit working experience (e.g., if the nascent nonprofit entrepreneur had any nonprofit management working experience).

With the support from MCNL staff, a link to an online survey was embedded in two emails sent out by MCNL in early and late 2016. The online survey was sent to all those (with valid email addresses) that had participated in a workshop between January 2013 to March 2016 ( $n=304$ ). MCNL also sent out two reminders for each survey resulting in 137 usable responses, or a 45% response rate. Nineteen of the respondents were removed as they indicated that they were still trying to launch their new nonprofit. This resulted in a final sample of 118 nascent nonprofit entrepreneurs.

## Results

Of the 118 nascent nonprofit entrepreneurs, one-third ( $n=40$ ; approximately 34%) indicated that they had successfully launched, and were currently operating, a new nonprofit organization. Two-thirds ( $n=78$ ; approximately 66%) indicated that they had disbanded and were no longer trying to start a new nonprofit. The average age of the nascent nonprofit entrepreneurs was 36 years ( $s.d=10.29$ ; minimum=21; maximum=71) and 68 (approximately 58%) were female. The average age and gender distribution did not vary substantially between successful and unsuccessful nascent nonprofit entrepreneurs.

Consistent with prior studies (Lecy et al., 2016; Van Ryzin et al., 2009) this inquiry finds that nascent nonprofit entrepreneurs are well educated. Nearly three of four (approximately 73%) of the respondents indicated that they had a college degree. Additionally, similar to findings by Carman and Nesbit (2013) as well as Lecy et al. (2016), only 32 of the nascent nonprofit entrepreneurs (just over 27%) indicated they had prior working experience as a nonprofit manager. In terms of prior start-up experience, 21 respondents (nearly 18%) indicated they had prior start-up experience, which is substantially lower compared to what Dollhopf and Scheitle's (2016) reported in their study of nonprofit entrepreneurs who launched new religious nonprofits.

An interesting initial observation is that few of the nascent nonprofit entrepreneurs with prior start-up experience also indicated having had prior nonprofit management experience. After all, if you start a new venture it seems reasonable to assume that you would also, at some point, take on a management role for that venture. Hence, one could expect the two types of human capital to be correlated. However, the correlation between prior start-up experience and nonprofit working experience is weak ( $r=0.22$ ).

There could be several reasons for this finding. One, those with prior start-up experience never succeeded in getting their previous start-ups operational. As such, they never obtained any experience as a manager. A second explanation is that those with prior start-up experience exited once the new organization was up and running. Thus, they never elected to take on a management role. A third possible explanation, however, is that those with prior start-up experience predominantly created new for-profit organizations and obtained management experience running a for-profit business enterprise. This is in line with Lecy et al. (2006) who found that few nonprofit entrepreneurs reported having significant professional nonprofit sector experience. Combined, this seems to suggest that many nonprofit entrepreneurs may come from other sectors.

I estimated a logistic regression model to explore whether formal education, prior start-up experience, and nonprofit working experience influenced the likelihood of start-up success among nascent nonprofit entrepreneurs. The dependent variable is start-up success, which is equal to "1" if the respondent indicated "*my organization is operational and currently running*" and "0" if the respondent indicated "*I am no longer attempting to start up a new nonprofit organization.*"

The three human capital indicators were entered as independent variables. The independent variables were coded as "1" if the respondent answered "yes" to having earned a college degree, "yes" to having launched at least one new organization (whether nonprofit or for-profit) in the past, and "yes" to having any type of nonprofit management experience. All "no" responses were coded as "0." Finally, the number of founders involved in the start-up process, age, and gender were included as control variables. The results of the logistic regression are shown in Table 1.

A test of the full model against a constant only model is significant, indicating that the model is a statistically significant improvement over the one with the constant alone. This also

**Table 1.** Result of Logistic Regression ( $n=118$ )

	Mean	Standard Deviation	<i>B</i>	<i>SE</i>	Exp( <i>B</i> )
Constant	--	--	-2.17**	0.94	0.11
Age	36.12	10.29	-0.04	0.02	0.96
Gender	0.42	0.50	0.79	0.47	2.20
Number of Founders	2.40	1.30	0.71**	0.21	2.03
Education	0.73	0.45	0.35	0.52	1.41
Nonprofit Management Experience	0.27	0.45	0.74	0.59	2.09
Start-Up Experience	0.18	0.38	1.22**	0.56	3.40

Note: \* $p<0.05$ ; \*\* $p<0.001$

indicates that the predictors (as a set) reliably distinguish between successful and unsuccessful start-ups ( $\chi^2= 24.60$ ,  $p<0.001$ ,  $df=6$ ).

The results in Table 1 indicate that human capital, measured by having earned a college degree, has no statistically significant effect on the likelihood of start-up success. Similarly, human capital, measured by having prior nonprofit management working experience, also has no statistically significant effect on the likelihood of start-up success. The most potent human capital variable is the knowledge acquired from previous start-up experience. These effects provide the strongest coefficients in the model.

The logit probability (log odds) of individuals with previous start-up experience is statistically significant and increases the probability by a factor of 3.39. This provides a strong indication that nascent nonprofit entrepreneurs with prior start-up experience are more likely to experience start-up success than those who have no prior start-up experience (controlling for the remaining variables in the model).

The results also indicate that the number of founders is statistically significant. Indeed, having multiple founders provides an increased likelihood of start-up success. Thus, there is some support for the idea that certain aspects of human capital, in this case tacit knowledge from prior start-up experiences, do increase the probability of a nascent nonprofit entrepreneur's successful start a new nonprofit organization.

## Discussion

The purpose of this study was to test the effect of nascent nonprofit entrepreneurs' human capital on nonprofit start-up success. Starting from the vantage point that emerging nonprofits face a number of obstacles, when viewed from the lens of the liability of newness, this study examined how different forms of knowledge can aid nascent nonprofit entrepreneurs in overcoming these obstacles. To do this, I tested the effects of prior education, nonprofit management, and start-up experience on the start-up success of 118 nascent nonprofit entrepreneurs in the Kansas City metro region.

An initial finding worth highlighting is the attrition rate of nascent nonprofit ventures, similar to the findings from prior research (Andersson & Ford, 2017), two-thirds of the nascent nonprofit entrepreneurs indicated they had ceased the nonprofit creation process. This provides insight into just how potent the liability of newness construct can be for nascent nonprofits. It also reinforces Aldrich and Yang's (2012) argument that in order to fully understand Stinchcombe's seminal propositions regarding organizations' liabilities we must focus on emergent organizations and not just formally registered ones.



As scholars seek to better explain nonprofit entrepreneurship success and failure, it is vital to distinguish between different stages and events. For example, as posited in this article, the first “success” that must be attained with a nonprofit is actually getting it started. Thus, nonprofit entrepreneurship scholars should study attempts at starting new nonprofits and the eventual success of those attempts (i.e., success, here, is associated with the founding event itself and it should be distinguished from the success or failure of the nonprofit once founded) (Carroll & Kessina, 2005).

Adding such a nuanced lens to nonprofit entrepreneurship research opens up new and intriguing research questions, e.g., What are the properties of emerging nonprofits organizations (Katz & Gartner, 1988)? At what stage can we say a new nonprofit has been founded? Is a new nonprofit founded when it is formally incorporated, obtains tax-exempt status, delivers services and/or programs, or when it obtains funding? More research is certainly necessary in order to better understand the factors that contribute to nascent nonprofit entrepreneurs’ disbanding of the start-up process. This information could provide more insight into the extent to which these factors are similar or different to those disbanding at later stages in the life-cycle.

A majority of the nascent nonprofit entrepreneurs in this study had earned college degrees. However, this human capital indicator did not influence the likelihood for start-up success. These results are similar to findings by Davidsson and Honig (2003) in their study of for-profit nascent entrepreneurs. As such, although formal schooling may be a useful predictor for entry into nascent entrepreneurship, it is likely less significant in explaining start-up success.

Human capital is also built from experiences. Stinchcombe (1965) emphasized workforce characteristics as a major underpinning to the liability of newness facing emerging organizations; and, described how those involved in the start-up process must learn new roles. Thus, knowing how to manage may be a highly useful skill for nonprofit entrepreneurs.

The results from this study, however, provide no support for the notion that prior nonprofit management experience influences the likelihood of start-up success. It should be noted, though, that the measure I used for management experience did not consider management experience from other sectors, the type of nonprofit management experiences the nascent nonprofit entrepreneur had, or differences in the total years of nonprofit management experience. Each of these considerations should be more thoroughly investigated.

The average age of the nascent nonprofit entrepreneur in this study was 36. This suggests that nascent nonprofit entrepreneurs are likely individuals that have had time to gain a variety of workforce experiences. However, as mentioned above, the data does not account for the type of nonprofit that is being created. Studies of for-profit business entrepreneurship have shown that entrepreneurs are most likely to enter an industry where they have the most experience (Shane, 2008). Future research should, therefore, examine the link between different types of workforce experiences among nascent nonprofit entrepreneurs and how these experiences align with the type of nonprofit they seek to start.

The findings from this study show that the only impactful form of human capital on start-up success is prior start-up experience. Those that had previously been involved in starting a new organization were more than three times as likely to achieve start-up success. This finding, combined with the finding that nonprofit management experience did not translate into a form of human capital benefiting nascent nonprofit entrepreneurs in combatting the liability of newness, suggests the nascent phase in a nonprofit’s life-cycle is distinctive from subsequent phases.

Stevens (2001) has argued that the transition from the nascent stage to the formal nonprofit start-up stage is unlikely to happen unless the nascent nonprofit can develop a sufficient

capacity endowment. This endowment consists of multiple capacities and must be developed concurrently. In other words, it is not sufficient to merely develop capacity in one key area. Therefore, “until balance is reached, the ‘stalled’ capacity point will continually hold the organization back” (Stevens, 2001 p. 25).

From a nonprofit organizational perspective, prior start-up experience might be considered a particular type of competence that helps coordinate and add to such a capacity endowment. Human competence enables an agent to act in a given situation and is a lever for other resources in organizations. Competence is often described as a soft and non-tradable capacity, signifying that it cannot simply be acquired or purchased but must be built within an organization (e.g., via experience). As a consequence, human competence has been deemed a unique and highly valuable, but also scarce, organizational resource (Eliasson, 1990).

Clearly, the learning that takes place during a start-up experience can be valuable for nascent nonprofit entrepreneurs. Thus, more research is needed that will allow us to learn about the learning process of nonprofit entrepreneurs. Furthermore, future scholarship should identify in more detail factors that differentiate nascent nonprofit entrepreneurs with start-up experience from those with no or less start-up experience. Finally, while start-up experience might be useful for start-up success we also need to know more about how it impacts continued success i.e., the performance and impact of the new nonprofit once it is operational.

This study also found that the second variable having a significant impact on start-up success was the number of founders. That is, nascent nonprofits with multiple founders were about twice as likely to experience start-up success (controlling for the remaining variables in the model). There are good reasons for including the number of founders in studies of start-ups. As noted by Gartner, Shaver, Gatewood and Katz (1994 p. 6), “[t]he ‘entrepreneur’ in entrepreneurship is more likely to be plural, rather than singular. The locus of entrepreneurial activity often resides not in one person, but in many.”

Prior nonprofit research substantiates this view. Dollhopf and Scheitle (2016) reported close to half (46%) of the new religious nonprofits in their sample were founded by a team (defined as more than two founders). Lecy et al. (2016) reported that a majority of the new nonprofits in their sample (77.9%) had more than two founders and the median start-up team had five members. Lecy et al. also noted that nonprofits created by teams were more likely to be successful since having more founders meant that new nonprofits had more social capital to draw upon when they sought resources and support. This argument could certainly be extended to human capital as well i.e., nascent nonprofits with multiple founders may draw upon the accumulated knowledge and experiences of the start-up team to increase its chances of start-up success.

A *t*-test confirmed that those having start-up success, on average, reported having more founders (mean=2.75; SD=1.39) compared to those disbanding the start-up process (mean=2.17; SD=1.18;  $t(116)=3.22$ ,  $p<0.05$ ). However, compared to the results presented by Dollhopf and Scheitle (2016) and Lecy et al. (2016), this study finds that a significant portion of the nascent nonprofits reported only having a single founder (approximately 30%). Moreover, one-third of the nascent nonprofits reported having two founders, meaning a minority of nascent nonprofits had three or more founders (approximately 38%). As reported in Table 1, the mean number of founders was 2.40 and the median was 2. These numbers are notably different from Lecy et al.’s (2016) findings.

Clearly more research on nascent nonprofit entrepreneurs is warranted. One question that has received very little attention among nonprofit entrepreneurship researchers is: What criteria ought to be used to identify someone as a founder vis-à-vis someone who is simply supporting or helping the founder(s) in the start-up process? In other words, the term nonprofit entrepreneur needs to be adequately specified. As commented by Gartner et al. (1994 p. 6),

“[s]cholars should be very clear about *why* some individuals were identified as the entrepreneurs to be studied in entrepreneurial activity.” Thus, it is possible that who gets labeled as a founder changes as the process from nascent to operational nonprofit organization progresses.

Another possibility is that enrolling more individuals into start-up process represents a key undertaking during the nascent and early start-up phase. For example, if nascent nonprofit entrepreneur(s) intend to incorporate their nonprofit, a board of directors must be created that in most cases must consist of multiple individuals (although there are exceptions, e.g., the State of Kansas). We also need more research determine what, and how, different nonprofit founders contribute to the start-up process and to what extent nonprofit founding teams are more or less heterogenous. All of these factors appear to matter in combatting the liability of newness by contributing to the endowment of resources (e.g. human, social, and physical capital) that support an emerging nonprofit.

### **Limitations and Conclusions**

This study has several key limitations that must be acknowledged. As mentioned, the study relies on a nonrandom sample. Thus, the study suffers from the problems associated with non-random samples. The study is also limited by its inability to account for changes in the human capital of the nascent nonprofits over time. Members of the founding team may have entered or exited. However, this study did not account for this.

An additional limitation is the inability to measure the nature of the different forms of human capital. The study only recognizes the presence or absence of human capital, not its quality. However, more recent experience may be better than less recent experience and more successful experience may be better than unsuccessful experience.

There are also overlooked variables that are important for comprehending start-up success e.g., access to start-up funding and the type of nonprofit that the nascent nonprofit entrepreneur(s) are creating. Moreover, formal education may be more or less essential at different stages in the nonprofit entrepreneurship process. It is also possible that different types of education will have differential impact on start-up success for different types of nonprofits. Thus, there is a need to decompose the notion of formal education to better assess when and how this human capital component matters.

The study is also limited to start-up success. A subsequent step is to continue to follow successful nascent nonprofit entrepreneurs to understand how experience impacts success and performance beyond the end of the nascent stage. It should also be noted that this study relied on a single responder. This creates the risk for common source bias (George & Pandey, 2017), especially since many nonprofit start-up efforts involve more than one nascent nonprofit entrepreneur. Thus, it would be preferable (when possible) to obtain survey responses from multiple members of a nascent nonprofit start-up team.

The above limitations suggest that in order to continue to advance nonprofit entrepreneurship scholarship, future research should find ways to more fully capture *changes over time* in the factors associated with the nonprofit creation process. This includes changes in the human and social capital of the nascent entrepreneur(s). However, getting the temporal order of measurement right is no small task since it requires longitudinal data, the use of variables and constructs suited for capturing change, and it necessitates researchers to acquire data on nascent nonprofit entrepreneurs.

Finding data on nascent nonprofit entrepreneurship is crucial if researchers are to overcome the selection bias resulting from the inclusion of only successful nonprofit start-up efforts. The

challenge, however, is *how* to obtain this data. Nascent nonprofit entrepreneurs lack obvious and easily accessible identifiers. One option, adopted in this study, is to focus on training programs, information sessions, incubators, start-up competitions, and other initiatives that target those who are interested in creating new nonprofits. Although this approach is certainly feasible, it does not allow one to identify a statistically representative sample of on-going nonprofit start-up efforts.

The alternative, as exemplified by the so-called *Panel Study of Entrepreneurial Dynamics* (Reynolds, Carter, Gartner & Greene, 2004), is to screen a very large, probabilistic sample of households or individuals in order to identify those who are currently involved in nascent nonprofit activities. These nascent start-up efforts are then subsequently followed over time through repeated waves of data collection. This provides insights into the nonprofit entrepreneurship process and the determinants of outcomes. While such a program would greatly contribute to our understanding of nonprofit entrepreneurship it is also exceptionally resource demanding.

In conclusion, nonprofit scholarship ought to pay more attention to the nascent phase of nonprofit entrepreneurship to more fully capture how nonprofit entrepreneurs are impacted, and overcome, the liability of newness associated with emerging ventures. Human capital represents a vital currency in the resource endowment used by nascent nonprofit entrepreneurs as they seek to create new nonprofit organizations.

The empirical findings from this study show the particular value of prior start-up experience as a tacit form of knowledge that significantly increases the likelihood of start-up success. The study also finds that having more than one founder increases the likelihood for start-up success, which points to the potential value of pooled human resources for nascent nonprofits. However, the size of the founding teams in this study was significantly smaller than what previous research has shown to be effective. This discrepancy leads to new and important questions for future research as we seek to better comprehend the key facets of the nonprofit entrepreneurship process.

## **Disclosure Statement**

The author declares that there are no conflicts of interest that relate to the research authorship, or publication of this article.

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