What constitutes a new nonprofit? Investigating nonprofit organizational founding dates

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Abstract

We contend that the question of when a new nonprofit is founded has not been pursued with sufficient precision. Specifically, a fundamental challenge facing any nonprofit researcher planning to detect, isolate, and analyze new nonprofits is that nonprofit founding is a process, not a discrete event. We use administrative data that includes three different founding indicators from more than 4,000 arts organizations, supplemented with survey data from 242 organizations, to illustrate some of the problems inherent in treating the founding process as one discrete event. We also elevate the voices of founders to demonstrate their conceptualization of the concept and offer insights into the multidimensionality of founding.

Keywords:

Nonprofit, founding, entrepreneurship, organization lifecycle
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Abstract

We contend that the question of when a new nonprofit is founded has not been pursued with sufficient precision. Specifically, a fundamental challenge facing any nonprofit researcher planning to detect, isolate, and analyze new nonprofits is that nonprofit founding is a process, not a discrete event. We use administrative data that includes three different founding indicators from more than 4,000 arts organizations, supplemented with survey data from 242 organizations, to illustrate some of the problems inherent in treating the founding process as one discrete event. We also elevate the voices of founders to demonstrate their conceptualization of the concept and offer insights into the multidimensionality of founding.

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Introduction

New nonprofit organizations offer many benefits to the communities in which they are founded. They help address unmet needs as these needs emerge (Lecy, Van Slyke, & Yoon, 2016). They spur new thinking, innovation, and employment, and can replace organizations that are closing (Kachlami, et al., 2020; Lecy, Van Slyke, and Yoon, 2016). However, identifying newly founded organizations is challenging, because the definition of founding is nebulous.

The seemingly straightforward question, “When is a nonprofit founded?” implies founding is a singular event. However, the concept of “nonprofit organization” contains a multitude of definitions, and different nonprofits are founded for different reasons by different individuals and/or groups. Some nonprofits exist as, and remain, informal entities for perpetuity, whereas others run the gamut of formalization – from the idea stage to incorporated, to IRS exempt within a short time. For others, the formalization steps may occur over a much longer time horizon, and they may, for example, elect to incorporate but never obtain tax-exempt status.

For those organizations that do reach these milestones, however, what does founding mean, and who decides? A researcher may have one idea, a practitioner may have another, a lawyer or regulator may have a third conceptualization, and so on. Treating founding as a concept with only one meaning--and, therefore, one concrete way to measure--may be convenient for scholars, especially when it comes to data availability and collection. However, the motivation underlying this question belies its complexity. Is the goal to understand the earliest nascent stages of an organization’s life cycle, including if and when an organization formalizes as an institution according to certain benchmarks or milestones, or is the goal to simply identify new nonprofits to
map the sector? Even this question is complex. Is it the landscape of formalized institutions that is of interest, or rather what type of work that is being down on the ground and for whose benefit? Each of these questions approaches the concept of founding differently, and has implications for how we define, measure, and understand nonprofit founding.

A fundamental challenge facing any nonprofit researcher wanting to detect and isolate new nonprofits is that founding cannot be depicted as a discrete event but rather as a process transpiring over time (Andersson, 2017). In other words, the question of when a new nonprofit is founded is intimately connected to the choice and determination made by the questioner of what constitutes founding. In addition, we must examine who is asking the question, and why. Whose voices are missing from among those defining the concept? Making founding synonymous with an external benchmark of formalization removes agency from key internal stakeholders to determine when the organization came into being and may also overlook a history of community work and relationships because of the (lack of) formalized status.

We use both administrative and survey data to examine the multidimensional meaning of founding from a research perspective. For this effort, we focus on organizations that have pursued multiple administrative milestones of formalization, including incorporation and tax exemption. First, we analyze administrative data from over 4,000 arts organizations to explore three different founding indicators. We then survey the organizations to ask them what founding means, and use insights from over 200 responses as a comparative assessment. We showcase the multidimensionality of nonprofit founding and illustrate some of the issues associated with the use of public administrative data to determine founding, including the variation in the meaning
of founding between internal stakeholders and external and/or non-affiliated entities (i.e.: researchers). Our findings support the idea of founding as an ongoing process, rather than a discrete event. The findings also illuminate the dynamic nature of nonprofit founding and bring forward several questions for future inquiry.

These findings are especially relevant in these turbulent times, as the sector attempts to recover from the effects of both a global pandemic and social justice protests that both underscore the sector’s contributions to institutionalized racism and efforts within to address it. As Barr (2020) notes, we need research on “the needs currently being met - or left unmet-by social purpose organizations.” As pandemic and social justice needs scale up, they are likely being met by new nonprofits. Adhering to a definition that links founding to formalized milestones means these organizations will not be identified or mapped in real time, distorting the picture of who is doing what in terms of service provision. This also has implications for practice. For example, organizations need access to funding, but may face barriers such as “must be established for X number of years.” This emphasis on formality as defined by certain actors disadvantages organizations that have been established and acting on the ground, regardless of their administrative status.

The following section provides an overview of the research on nonprofit founding. We then present our methodology and findings. We conclude with a discussion of the implications and recommendations for future research.

**Literature Review**
In the early 1980s, Dennis Young (1983) published his seminal work challenging the predominant view of nonprofit organizations as mere responses to failures by the government or market to address unmet demand. Instead, Young presented a case based on a supply side perspective where new nonprofits do not simply emerge out of thin air but are the results of purposeful action undertaken by a nonprofit entrepreneurial agent i.e., the founder. Young’s work helped form the basis for nonprofit scholars interested in nonprofit entrepreneurship (e.g., (Bilodeau & Slivinski 1998; Cordes, Steuerle & Twombly 2004), the emergence and entry of new nonprofit organizations (Grønbjerg & Paarlberg, 2001; Dollhopf & Scheitle, 2016), and for researchers analyzing nonprofits utilizing a life-cycle perspective (e.g., Hasenfeld & Schmid, 1989; Bess, 1998; Edenfield & Andersson, 2018).

The creation of new nonprofits plays a central role in all of these literatures; however, whereas some scholars consider nonprofit founding a discrete event other view it as a process. The former perspective is commonly found in the sizable and robust macro-oriented nonprofit literature devoted to describing and understanding the size, scope, density, and growth of the nonprofit sector (Grønbjerg & Paarlberg, 2001; Lecy & Van Slyke, 2013; Liu, 2017), and the subset of this literature focusing on nonprofit sector entry by analyzing the number of new-founded nonprofits in a particular region or industry (Saxton & Benson, 2005; Twombly, 2003). The latter perspective, founding as a process, is more prominent in the nonprofit entrepreneurship and nonprofit life-cycle research (Bess, 1998; Cordes et al., 2004; Dollhopf & Scheitle, 2016; Lecy et al., 2016; Edenfield & Andersson, 2018). Hence, it is in the above-mentioned literature one can look for cues for how the nonprofit founding phenomenon is framed and operationalized.
Perhaps the most widespread tactic to capture the founding of new nonprofit organizations is to target some type of formalized event such as incorporation and/or IRS registration. The basis for concentrating on such events is rooted in the assumption that formalized milestones take place at the very beginning of the life of a new nonprofit. For example, Cordes et al. (2004, p. 123) used the IRS rule-date in their analysis of new nonprofits and argued “[…] although in individual cases the IRS data may capture the entry of some nonprofits with a lag, organizations that seek formal recognition from the IRS are apt to do so fairly soon after their initial ‘informal’ formation because formal IRS recognition confers a number of legal and tax advantages. […]]. Thus, using the IRS ruling date seems to be a reasonable proxy for formation of a new organization.” As a result, a widespread approach to capture new nonprofit entry is to look to public administrative records such as those from the U.S. Internal Revenue Service or the Canada Revenue Agency, and consider the entry/appearance in such records by a new nonprofit organization the core criterion, and timestamp, of founding. Examples include Twombly (2003); Cordes et al., (2004); Saxton & Benson, (2005); Lecy et al., (2016); Sharpe, (1994); Khovenrenkov, (2016); and Khovrenkov and Gidluck,(2017). As Twombly (2003, p. 220) states, “[n]onprofit entry occurs when an organization gains tax-exempt status from the IRS.”

The date of incorporation is an alternative indicator also rooted in accessible public administration records. Grønbjerg and Clerkin (2005) argue in favor of using the state corporate registries over IRS registration as the former capture newer organizations more effectively. However, the utility of relying on the incorporation- and/or tax-exemption rule date as an indicator of nonprofit founding is questionable. The choice of which administrative record to use will lead to variation in the number of organizations identified. In an excellent article, Grønbjerg,
Liu and Pollak (2010) provide multiple reasons why a nonprofit organization may be incorporated but not registered with the IRS as a tax-exempt entity, and why IRS-registered nonprofits may not be incorporated. The discrepancy between the IRS and incorporation records has also been shown empirically (Grønbjerg & Clerkin, 2005; Grønbjerg & Paarlberg, 2002). For example, in a robust and detailed analysis of nonprofits in the State of Indiana, Grønbjerg and Paarlberg (2002) found only twenty-three percent of nonprofits showing up on both state corporate records and IRS registries.

In addition, not all types of nonprofits are even captured in administrative data. For example, in the U.S., religious congregations and ancillary entities of congregation, such as daycares and food pantries, are not legally required to apply to the IRS for recognition of exemption. Contrary to Twombly (2003), organizations do not always pursue administrative milestones such as incorporation or tax exemption immediately upon founding. Grønbjerg et al. (2010) list a number of factors that may result in a new nonprofit not electing to register with the IRS e.g., lack of financial resources, lack of know-how, or utilizing a fiscal sponsor. They also note how it can sometimes take a long time for a new nonprofit to obtain a final ruling from the IRS, and even longer before they appear in IRS public records as a new entry. Lecy et al. (2016) used surveys to connect with nearly one thousand nonprofits that had recently obtained IRS tax-exemption, and found that half of the nonprofit entrepreneurs indicated they had been operational, sometimes for several years, before registering their organizations.

Treating nonprofit founding as an ongoing process, rather than a discrete event, may paint a more accurate picture of organizational founding. As Dollohopf and Scheitle (2016) observe,
nonprofit founders may undertake a variety of organizing activities prior to considering incorporating and/or registering with a federal tax agency. Despite this recognition of multiple activities, this lens uses formalized administrative milestones (albeit multiple, rather than one) as measures of founding. This approach may be sufficient if the question “when is a nonprofit founded” is motivated by an interest in capturing the creation of formal entities.

However, as Smith (1997) notes, nonprofit action is frequently organized in less formalized grassroots organizations that will never show up in public records because these entities never choose to incorporate or register with the IRS, what Smith refers to as the “dark matter” of the nonprofit sector. Failing to account for informal activities discounts the work informal organizations do. For example, Akingbola (2013) sheds light on what he calls unincorporated social economy organizations that highlight the integral nature of these organization’s activities to society.

The process nature of founding can also be observed in the nonprofit life-cycle literature, which recognizes that many undertakings in the gestation of a new nonprofit organization transpire before the new entity becomes a formal operational entity (Bess, 1998; Edenfield & Andersson, 2018), what Andersson (2017) refers to as the nascent nonprofit stage. Hence, the notion of founding is less distinct from a life-cycle perspective. Instead, focus is on describing different phases in the evolution of a new nonprofit, and to comprehend the critical junctures and forces engendering such evaluation. For example, Hasenfeld and Schmid (1989, p. 247) depicts the nascent stage as “generally informal and unsystematic”, and Bess (1998, p. 49) adds that “little planning and coordination on a scale involving group members occurs.” Whereas some ventures
never evolve beyond the nascent phase others do by, as Stevens (2008) observes, developing some basic administrative and financial systems, installs a board of directors, at least one distinct program/service has emerged, and work roles are being more clearly defined and designated.

Accounting for the multidimensionality of nonprofit founding is critical to mapping the sector. According to Appe (2012, 2013), the researchers influence the mapping of the society through the meanings they attach and ways in which they define their parameters. Therefore, we can only have confidence in our mapping if we are confident the data are capturing the activity we want. The same can be said for scholars trying to capture nonprofit founding. Godfrey’s categorization organizations in the informal economy as informal, semi-informal, and formal helps break down the “date=founding” approach. As he notes, “The study of the informal economy also provides scholars with a chance to develop constructs and dimensions fit for a complex, rather than discretely simple, conceptual world” (2011, p. 270), underscoring the need for a better understanding of nonprofit founding.

The above observations and considerations certainly illuminate the multidimensionality of nonprofit founding. We now move to empirically explore one aspect of this complicated issue as it relates to organizations that have formalized to a certain degree. As noted earlier, some nonprofit scholars have deemed the IRS-rule date a reliable proxy for founding. The underlying rationale of this approach is that the choice of a founding indicator, in this case IRS-rule date, is not necessarily a significant problem if the indicator can be assumed to be in close proximity to the “real” founding date. But just how close in time are some of these founding indicators? The
subsequent segment explores this question by looking at four different indicators: (i) a subjective year-of-founding statistic, (ii) the year of incorporation, (iii) the IRS-rule year, and (iv) survey responses from key informants inside young nonprofits asked to pinpoint a year of founding, and investigates how closely coupled in time these different indicators are.

**The founding of arts nonprofits: An empirical exploration**

The setting for this empirical exploration is nonprofit arts organizations and the quantitative data comes from DataArts, which includes information from over 90,000 cultural data profiles posted between 2001-2019 by close to 19,000 unique nonprofit arts and culture organizations located across the United States and Canada. Representing a single fiscal year, each profile comprises a large number of data variables covering program, financial, and operational dimensions. The value and specific details of the DataArts cultural data profiles has been described in great detail elsewhere (see Kim & Charles (2016)). For the purposes of this study, in which we focus on organizations that have reached at least some level of formalization, we focus on the answers to three time-related questions: what year was the organization incorporated (if applicable), what year did the organization obtain IRS tax-exempt status (if applicable), and what year was the organization founded.

We limit our analysis to US-based organizations that were founded during or after 2000, which resulted in 5,755 unique organizations that reported data for at least one of our three key variables of interest: founding date, incorporation date, and IRS exemption date. Table 1 provides descriptive statistics about this initial sample, including the count of organizations at each stage. More than 73 percent (4,215) of the organizations in the initial sample reported
something for all three time-related questions. Approximately 20 percent (1,125) only responded
to one of the three time-related questions, of which the vast majority (901) reported only the IRS
exemption date, 221 reported only a founding date, and 3 reported an incorporation date only.
Approximately 7 percent in the initial sample (415) responded to two of the three time-related
questions, of which the vast majority reported founding plus another event: 134 reported
founding and incorporation, and 235 reported founding and exemption dates. Only 46
organizations reported incorporation and exemption dates.

Multiple reasons may explain why some organizations only responded to one or two of the time-
related questions. For example, the key informant filling out the DataArts profile may not have
known the year of founding or incorporation but could more easily find the IRS date e.g.,
through publicly available Form 990s. The profile instructions regarding the founding date may
have been unclear, and/or organizations with only a founding date may in fact not yet have
incorporated or filed for IRS exemption. Because we have no way of knowing why these profiles
are incomplete, we elected to concentrate our analysis on the 4,215 organizations that report all
three dates.

[Insert Table 1 here]

A closer examination of organizations reporting all three dates suggests there is an order to
events, though in some cases all the events occurred in the same year. The event sequence starts
with founding followed by incorporation followed by tax exemption. However, we also
discovered a small number of cases where the date of tax exemption or incorporation preceded
the date of founding, or where tax exemption preceded incorporation. While incongruities related
to incorporation and tax-exemption dates may occur for a variety of reasons (Grønbjerg et al.,
2010), incorporation rarely occurs before a founding date. In fact, as Lecy, Van Slyke, and Yoon
(2016) show, organizations may average up to 6.5 years of voluntary or informal activity before
incorporating, supporting the idea that founding encompasses coming up with the idea and is not
necessarily represented by a legal milestone, budget, or activity level. Hence, for clarity of
interpretation we assume the following order of events, founding, incorporation, and exemption,
in creating the results presented in Table 2.

[Insert Table 2 here]

Our data reveals significant variation in terms of when the different events occur among the
nonprofit arts organizations. Many of the organizations operated for at least a year, on average,
before becoming incorporated, and an additional year, on average, between incorporation and
filing for tax-exempt status. This finding reinforces the notion that nonprofit entrepreneurship is
a process transpiring over time (Andersson, 2017), and that many nonprofit organizations are
operational long before they formally become incorporated and/or tax-exempt entities (Lecy et
al., 2016). Also, as noted earlier, scholars such as Cordes et al. (2004) argue that the IRS ruling
date is a reasonable facsimile for the formation of a new nonprofit. Given the average time
between informal founding and tax-exempt rule date is two years we must caution against
relying on this assumption if the goal is to identify and understand the emergence and formation
of new nonprofits. For example, studying nonprofit entrepreneurship requires that scholars are
able to capture nonprofit entrepreneurs in the process of constructing/founding nonprofit
organizations, rather than nonprofit entrepreneurs running already established nonprofits organizations.

So far, our exploration of when a new nonprofit is founded has been guided by the data from the cultural data profiles in DataArts. Instead of relying on this type of administrative records, a more direct approach would be to ask someone associated with a new nonprofit when the organization was founded. In order to bring additional insights, we therefore sent out a survey to representatives from some of the DataArts nonprofits in our sample.

Of the 4,215 organizations that indicated a founding, incorporation, and/or IRS exemption date of 2000 or later, 1,184 first submitted a profile to CDP in 2016 or later. We narrowed down to this population in an attempt to mitigate biases associated with recall and memory decay, since we were asking respondents to reflect about the information they submitted. We received 317 responses (26 percent response rate), of which 244 (20.6 percent) were usable. Responses were deemed unusable if they were incomplete, duplicates, and/or reported founding dates pre-2000. The majority of respondents (55 percent) identified their organization’s primary role (Moulton & Eckerd, 2012) as service provision, with an additional 25 percent focusing on building social capital. Table 3 shows the breakdown of organizational role identification.

[Insert Table 3 here]

Approximately two of three respondents (65 percent) identified themselves as the organization’s founder. Of this group, 89 percent held additional roles, including but not limited to executive
director/CEO and/or board member. Table 4 provides a breakdown of respondent roles. Over 34 percent of respondents had previous startup experience, 44 percent of whom indicated for-profit startup experience, 35 percent indicated nonprofit startup experience, and 21 percent indicated startup experience in both sectors. Approximately three or four (65 percent) of respondents said their organizations were founded by a team of people (rather than a single individual), with an average startup team size mean of 5.01 (s.d. 3.46). The smallest team size reported was 2, the largest was 20.

[Insert Table 4 here]

Each respondent was asked to answer the following question, “When (as in which year) was this organization born?” We then compared the answer with the dates indicated in DataArts file. As Table 5 shows, close to seven out of ten (69 percent) respondents reported a date that matched at least one of the three discrete dates reported in the DataArts file (founding, incorporation, or IRS date).

[Insert Table 5 here]

Interestingly, the IRS rule date is the event most associated with founding when we compare the survey answers to the DataArts file data. Perhaps even more noteworthy is the 31 percent of respondents that gave a date that did not correspond to any of the DataArts dates when directly urged to identify when the organization was born. All respondents were offered the opportunity to elaborate on their founding by responding to this prompt: “What was the specific circumstance
and/or action(s)/activities in that year that made you and organizational stakeholders say, ‘Ok, this is more than just an idea, we are now an organization’?” The winsorized mean of these founding narratives was 35 words, with a minimum of 0 (0.06% of respondents) and a maximum of 298 words. Here are some examples of responses we received:

This is not how it happened. It was first an idea, funds were raised to make it a viable option, then a decision was made to go forward.

Several years of holding an annual summer folk festival that brought people together, had strong community support through volunteers and donors, as well as an interest in cultural music and arts programs that would be available year round

Went to a luncheon for Latina business women at a community center in the community. Keynote speaker was the first Latina mayor in her city and the county. She started a non-profit to help the youth in her community. It was small and it eventually expanded and got her more involved in her neighborhood and to run for office. All women there were Latina(X) who started a business (for profit or non-profit) out of need that was missing for themselves and or community. The small group I went with we saw the idea to create a theatre that was supportive work reflective of the Latina experience and community.

We also found that for those organizations whose survey and DataArts dates aligned, founding narratives often referred to events outside of traditionally-defined origins (founding, incorporation, IRS rule date), such as a life milestone (“a family death”), the first idea (“a
conversation between radio co-hosts”), or needs and opportunities that arose in their communities (“We gained the support of our landlord who shared our vision”).

These gaps between administrative data (such as recorded dates) and survey data are not necessarily surprising. Capturing key informant characteristics can address some of these gaps (Kim & Levine Daniel, 2020), which we do in our survey targeting founders of newly identified nonprofits. Still, the survey responses raise a number of new questions such as why so many provide a date that did not correspond to any of the DataArts dates, and why so many gravitate toward the year of the IRS rule data when answering the survey question. It is beyond this study to seek the answers to these questions. Still, the contrasting of the administrative data and the survey data irrefutably illuminates just how complex it is to pinpoint when the true beginning of a nonprofit commences, and the conceptual as well as methodological challenges facing nonprofit entrepreneurship scholars.

**Discussion**

When is a new nonprofit organization founded? The answer is “it depends” because founding is multidimensional. Using a unique ability built into the DataArts profile to compare two common indicators of nonprofit founding, year of incorporation and year of obtaining IRS tax-exemption, with a third indicator denoting year founded, we have attempted to shed some much-needed light on this straightforward, yet, thorny question. In this discussion section, we will focus on a few key observations and highlight implications for current and future nonprofit research.

Research depicting nonprofit founding as a discrete event is common, stoutly driven by both practicality and convenience. Associating founding with a particular event, for example IRS
ruling, not only allows researchers to timestamp the date of birth of a new nonprofit, it also provides an opportunity to use public administrative records to identify newborn nonprofits. Essentially, for organizations that formalize, these formalization milestones come to mean founding. However, this article has shown that if the only undertaking or event utilized is the IRS ruling date, the founding phenomenon will not be recognized/identified until late in the emergence process. This approach will mean many organizations will be overlooked (for example, the 221 organizations in our sample that only reported a founding date, not incorporation or IRS ruling), and researchers inevitably will be missing out on key features that are of great interest to explain and analyze. Here we will focus on and highlight two such features.

First, scholars have long argued that new organizations must deal with a number of complicated challenges that limit their viability (Stinchcombe, 1965). According to Aldrich and Yang (2012), this liability of newness is particularly potent during the nascent stage of organization creation, which suggests that many, perhaps even most, new organizations die while emerging. It is important to acknowledge there is a dearth of research focusing on the nascent stage of nonprofit organizational founding (though there are exceptions e.g., Bess, 1998; Dollohopf & Scheitle, 2016). Even though Stinchcombe viewed the liability of newness as a “general rule” (Aldrich & Yang, 2012, p. 1) the situation may be different for emerging nonprofits compared to, for example, emerging business enterprises. However, one study lending support to Aldrich and Yang’s main argument is Andersson and Ford’s (2017) examination of new educational organizations in the City of Milwaukee. They analyzed public records of new nonprofit voucher school entry between 1991 and 2015 and found 70 percent of the new nonprofits never made it
beyond the nascent phase. Though not our original focus, our own data may reflect some of this liability as well. While we intentionally chose to analyze organizations reporting all three dates, 27% of organizations in the original dataset only reported one or two of the three events of interest. As we noted earlier, this may be because of respondent errors or omissions, but this may also be due to failure to reach incorporation milestones.

Clearly, more empirical research is needed to confirm the impact of the liability of newness on emerging and/or young nonprofits by examining different types of nonprofits (e.g., arts, human services) in different contexts. However, if Aldrich and Yang’s proposition is accurate, and other studies align with Andersson and Ford’s (2017) findings, it is likely that a significant number of emerging nonprofits exit/die before they obtain their tax exemption. Consequently, research on nonprofit founding that uses the IRS rule date as a starting point will have limited utility for those wanting to understand the challenges of new nonprofit creation as it is only ends up capturing those nonprofits that have already gone through the early period of struggle most prominently associated with the liability of newness (Aldrich and Yang, 2012). Moreover, by electing to solely focus on new nonprofits with an IRS-rule date, nonprofit scholars will not only be blind to those entities that never obtain an IRS ruling but also be blind to the many attempts of starting new nonprofits that were halted earlier in the process. This selection bias clearly becomes an issue if the goal is to better comprehend and explain while some nonprofit founding attempts succeed when others do not (Andersson, 2017).

Second, our research has helped to contribute to the perspective that nonprofit founding can be denoted as a process made up by multiple undertakings that transpire over time. This temporal
dimension, which is in line with how the nonprofit life cycle literature approaches the notion of founding, also alludes to the possibility of interconnectedness among the different undertakings. In their ethnographic study of the emergence of a new nonprofit organization, Edenfield and Andersson (2018) show how the undertakings that characterized and shaped the earliest stage in the founding process “sowed the seeds” for what would characterize and shape the subsequent stage(s). The notion that organizations are frequently, and deeply, impacted by prior experiences and events is sometimes referred to as organizational imprinting (Bryant, 2014), and illuminates that what happened early in the founding process is vital to comprehend the trajectory and undertakings at any of the later stages in the process. Edenfield and Andersson’s (2018) study, for example, illustrates how the path from idea and intent to start a new nonprofit to stage where the organization went operational was far from mechanic or easy (p. 1042): “[t]he nonprofit sector is often perceived and presented as a place with low entry barriers where eager entrepreneurs can, rather effortlessly, create new organizations. However, we believe such a view grossly underestimates just how demanding it is to actually concretize the idea of a new social venture into something substantial.” Evidently, more research is needed to untangle and explain the notion of imprinting during the founding process, but what is clear is that such research must attempt to capture the undertakings of founding as early as possible.

Building on the above discussion, nonprofit scholars must begin employing additional and multiple indicators to capture and characterize the earliest stages of emergence in order to truly reflect the complexity of the nascent process of founding. However, given that 60 percent of founder perceptions either did not match at all with our administrative indicators, or matched some arbitrary perception, our survey data firmly illuminates the diversity and vibrancy of the
nascent phase. From this, we can pick up that emerging nonprofits do not “signal” their existence uniformly, much as many nonprofits engage in various sensegiving strategies (Levine Daniel & Eckerd, 2019). Nonprofit scholars must therefore engage in discussion and debate to propose what indicators are most useful for identifying and assessing the emergence of new nonprofits. These discussions must include the voices of nonprofit founders themselves, in order to ensure scholars ascribe appropriate meanings to founding in order to best capture the desired activity.

A final observation is that nonprofit entrepreneurship scholars must ensure clarity as well as transparency when studying nonprofit founding. To start, they must articulate the motivation for studying founding. Are they interested in the process itself? Are they trying to find a measure for organizational age? To this end, is the founding date an explanatory factor or a control? For example, IRS dates and other discrete measures certainly tell us something, even though they are unreliable proxies of nonprofit founding. Still, using IRS dates (or incorporation dates) as a proxy for age is most likely sufficient when operationalizing and utilizing age as a control variable, but insufficient utilized as a dependent or explanatory factor of founding. The need for clarity and transparency are also highly relevant for those seeking to study nascent nonprofits, entry and exit rates of new nonprofits, the liability of newness among new nonprofits, and any form of imprinting or impact on a nonprofit emanating from its early life stage.

As noted earlier, our study also generates additional questions that provide opportunities for future study. In addition to the conceptual challenges of identifying the boundaries of nascent nonprofits and the pre-emergence stage that appears to exist between perceived founding and discrete organizational milestones, there are also many methodological questions that must be
answered. For example, even if we can agree on some indicators capturing the early signs of nonprofit founding, how can we identify and collect empirical data of such entities in our communities and beyond? Another question in urgent need of more research is when the founding process of a new nonprofit ends? That is, when is the nonprofit entrepreneurship process complete, and what indicators are we to use to make this distinction? Perhaps, instead of using IRS or CRA dates, for example, as the earliest possible point of founding, these events may actually signal the end of the founding stage. To date, we are unaware of any study having attempted to answer this particular question.

Our focus is on the research of nonprofit founding, but our study has practical implications, as well. For example, management, staffing and/or volunteer needs an organization has during its emergency and quest for formalization may differ once these milestones are reached, which affects human resources management. The organizational strategies employed during founding will also change as the organization matures. In addition, resource providers such as foundations or grantmaking organizations may restrict their activities to organizations that have reached formalized milestones, effectively shutting out organizations that are doing the work on the ground but fall short of an age/years since incorporation requirement.

To end we acknowledge some limitations. Our dataset was unstable, a challenge common to entrepreneurship scholarship, some organizations had already failed or closed before we could reach them with the survey. We rely, in part, on survey data, which carries risks for reporting errors and recall bias. Finally, our DataArts sample and survey samples are both sub-sector specific, focused on nonprofit arts and culture organizations.
Conclusion

Nonprofit founding can be studied as a discrete event or an ongoing process. Our study presents a nuanced view of nonprofit founding that highlights its multidimensionality and underscores the need to treat the phenomenon as a process. Using multiple administrative data sets, we show the shortcomings of “founding as event”, as well as the challenges associated with these datasets themselves. We also elevate the voices of founders to demonstrate their conceptualization of the concept and offer insights into when and how to expand the operationalization of founding.

Notes

[1] We attempted to identify only post-2000 orgs for the survey population, but errors in the original CDP data led to some false-positives.

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The data used for this report was provided, in part, by DataArts, an organization created to strengthen arts and culture by documenting and disseminating information on the arts and culture sector. Any interpretation of the data is the view of the researchers and does not reflect the views of DataArts. For more information on DataArts, visit www.culturaldata.org.

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