## Analyzing elements affecting the survival of new nonprofit organizations in the context of social entrepreneurship ventures

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## **Principal Topic**

Despite their important contribution to the social economy, the processes of establishing new nonprofit organizations have not been systematically examined. The survival of new nonprofits is an important issue since if they cease to exist it is a loss to the economy as well as to community. It is well known that new for-profit businesses are vulnerable to failure in the first few years. It would be reasonable to assume the mortality rate for new nonprofits may be comparable to that for business since the establishment processes are similar, but the survival of new nonprofits has received scant attention in the research literature. This paper examines the relevance for emerging nonprofits of elements identified as contributing to the survival of new business ventures, including reference to the limited literature on nonprofits.

Bruderl, Preisendorfer et al et al. (1992) suggest three perspectives are significant for early survival of business ventures: the characteristics of the founder/s (human capital); conditions in the environment of a new firm (population ecology); and attributes, structural characteristics and strategies of the new business (strategic adaptation). Characteristics of the founding team have been well explored in the literature. Age, social networks, access to financial capital, experience in a similar business, and leadership experience in management roles all enhance survival of new ventures. Gender is significant: fewer women start new firms, and firms started by women have a higher failure rate even though women entrepreneurs tend to be a decade older at startup (Carter, Williams et al. 1997; Reynolds 1999). Population ecology and macroeconomic factors which may be relevant include the location of the venture and density of competition for resources (Marwell and McInerney 2005). Successful strategic adaptation to the environment reduces mortality but despite its significance surprisingly little literature considers how new ventures design strategies, and most research is conducted well after the firm is established which may reduce the validity. Previous business experience and industry know-how improves judgment and the development of more strategic responses in business operations. The literature has a strong focus on new venture growth as a measure of success, but it is not clear whether the factors that enhance one measure of performance, such as survival, are the same as those that lead to others, such as growth or profitability (Cooper 1993). Business growth strategies need to be aligned with the external market and the product and industry life cycle (Agarwal and Audretsch 2001). Since the nonprofit arena is extremely diverse, it is warranted to examine the significant elements that affect survival of new ventures in the more limited context of emerging social entrepreneurship ventures. Social entrepreneurship is a hybrid organizational form that uses business models to achieve an identified social mission to improve a target group or locality. Hence social entrepreneurship offers a bridge between the business and nonprofit arenas. Weerawardena and Sullivan Mort (2006) identify that 'social entrepreneurship strives to achieve social value creationoe [but is]....responsive to and constrained by environmental dynamics.' The overall question addressed in this research examines the significant elements that contribute to emerging social entrepreneurship ventures surviving and becoming sustainable so the organization can to continue to offer a service that is of value to a target group within the population.

Methodology/Key Propositions It is proposed that strategic interactions with the environment are significant for emerging nonprofit ventures to survive (Proposition 1). Elements identified in the literature as being important in the establishment of new business ventures may be applicable for emerging nonprofit ventures operating with a social entrepreneurship framework (Proposition 2). Two aspects of strategic adaptation appear to be particularly relevant for emerging nonprofit ventures: strategies designed by the firm to influence their environment or adapt to changes; and actions of the external environment that affect the organization,

particularly interaction with the broad policy arena (Proposition 3). Although these elements are interlinked and difficult to analyze independently eight elements have been identified as significant for the success of new social entrepreneurship ventures (Sharir and Lerner 2006). These can be grouped as relating to either human capital or strategic adaptation and it is proposed provide a typology useful in the analysis of the survival of new ventures (Proposition 4).

This research uses a qualitative approach. A mixed method utilizing a purposive sample of emerging social venture cases and a modified Delphi forum of organizers and CEOs of new social ventures provides data for comparative analysis.

## Results and Implications

The paper will report preliminary analysis of the research in progress. This research will extend social entrepreneurship theory, a field that is strongly represented in the international literature. The study will improve understanding of significant elements and conditions that affect emerging social entrepreneurship ventures, and will define propositions for further empirical investigation in a broader national or international context. It will make a significant contribution to knowledge of issues affecting emerging ventures in a context that has not previously been explored. Findings from this research may also have implications for new small business ventures.

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