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Start-Up Funding Intentions Among Nascent Nonprofit Entrepreneurs: An Exploratory Investigation

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This paper explores the start-up funding intentions of nascent nonprofit entrepreneurs, i.e., individuals in the process of creating a new formal nonprofit organization. The main questions being examined are from which sources nascent nonprofit entrepreneurs anticipate to obtain start-up funding from, how much start-up funding nascent nonprofit entrepreneurs anticipate they will need to formally launch their new nonprofit, and if there are any differences in funding intentions among nascent nonprofit entrepreneurs with and without previous start-up experience. The results from a survey of 103 nascent nonprofit entrepreneurs in Kansas City are presented and contrasted with existing research on funding of new nonprofit organizations. The results show an apparent preference for start-up funding from philanthropic grants and private donations, along with personal contributions of the founder(s).

Keywords: Nascent Entrepreneurs, Start-Up Funding, Intentions

The creation of a nonprofit organization is not a random event but the result of a process that includes multiple undertakings, many of which occur before the formal launch of the new organization (during the so-called pre-organization or nascent phase) (Dollhopf & Scheitle, 2016). Although personal commitment, sweat equity, and determining a vision/mission are key features of the pre-organization phase, one of the most important undertakings for nascent nonprofit entrepreneurs is to identify and decide from whom to obtain the financial resources necessary to support the fledgling nonprofit during its first year(s) of operations. As Bryce (2000, p. 3) pointed out, "Without money, no mission can be met or advanced in a market economy no matter how charitable or benevolent the mission may be."

Strategizing about start-up funding is an important undertaking, not only because nascent nonprofit entrepreneurs have multiple funding options to consider and select from, but also because these early funding strategies are likely to play a significant role in determining whether the start-up attempt will be successful or fail. Some scholars have noted how the inability to obtain start-up financing represents one of the biggest barriers to entry for social venture start-ups (Scarlata, Alemany, & Zacharakis, 2012). Previous studies have typically examined the type and amount of start-up funding obtained by successful nonprofit entrepreneurs i.e., those

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actually succeeding in launching a new nonprofit (Van Slyke & Lecy, 2012; Young & Grinsfelder, 2011). However, as noted earlier, start-up funding intentions are formulated *before* the nonprofit is formally established during the nascent organizational stage (Steinberg, 2006; Haugh, 2007). By only targeting successful nonprofit entrepreneurs (in addition to the selection bias resulting from including only start-up efforts that actually resulted in up-and-running nonprofits), these studies are less likely to capture the full spectrum of start-up funding intentions, which is necessary if our goal is (for example) to explain which start-up funding strategies are more or less effective for starting a new nonprofit.

The purpose of this article is to paint a broader picture of start-up funding intentions among nascent nonprofit entrepreneurs. Specifically, this article means to explore the following questions: From whom do nascent nonprofit entrepreneurs plan to acquire initial start-up funding, covering the start-up investments and expenses in year one of the emerging nonprofit (as well as early operational funding for the next coming years)? Which funding sources are seen as the most important for start-up funding among nonprofit entrepreneurs? Are there differences in the start-up-funding preferences and intentions depending on which mission area the emerging nonprofit plans to enter? Are there differences in the start-up funding preferences and intentions between experienced and novice nascent nonprofit entrepreneurs? To investigate these questions, the articles draw from survey answers from 103 nascent nonprofit entrepreneurs, here defined as individuals in the early process of creating a new nonprofit venture, in Kansas City.

The reader will quickly note, however, that this study also has obvious limitations. First, as already mentioned, this is an exploratory study. As such, the objective is neither to test hypotheses nor to claim any findings to be generalizable beyond the discrete group of nascent nonprofit entrepreneurs explored in this study. Rather, it aims to show the importance of including a nascent perspective when examining nonprofit entrepreneurship. Empirical research examining nascent nonprofit activities remains tremendously scarce (see Bess, 1998, for an exception) or looks at the nascent stage in retrospect (Dollhopf & Scheitle, 2016). Hence, this article provides rare insight into the earliest phases of new nonprofit creation and serves as a starting point for future and much needed research on nascent nonprofit entrepreneurship. For example, this article investigates how different contingencies may shape early funding intentions and priorities. A second limitation of the study, also related to its exploratory nature, is its limited scope. The findings presented in this article come from individuals partaking in a free start-up workshop in one city setting. Clearly, not all nascent nonprofit entrepreneurs can or will utilize such a workshop (hence, this study also involves a selection bias issue to be cognizant about). Moreover, the answers received may be influenced by the Kansas City nonprofit community context in which the individuals answering are embedded. However, given the difficulty identifying and collecting data on nascent activity, the author still believes that a sufficiently large and diverse sample was obtained to warrant exploration. Finally, the study relies on cross-sectional data and can therefore not say anything about the consequences of the funding intentions with regard to, for example, start-up success rates. Still, despite lacking a longitudinal dimension, there is an opportunity to compare and contrast the findings of this study to previous studies examining the type of funding received by those succeeding in launching a new nonprofit start-up (Van Slyke & Lecy, 2012).

Literature Review

Nonprofit scholars have long discussed why the nonprofit sector exists and why new nonprofit organizations are being formed (Hansman, 1980; Young, 1983). Attention has also been given to how new nonprofits, and the nonprofit entrepreneurs creating them, obtain and marshal financial and other resources to make these fledgling nonprofits operational and/or sustainable. Some start-up resources can be produced internally by leveraging and making do with resources already at hand, a practice referred to as bricolage (Baker & Nelson, 2005). For new social ventures, especially those operating in resource poor environments, bricolage has been recognized as a key resource mobilization strategy (Desa & Basu, 2013; Di Domenico, Haugh, & Tracey, 2010). Other resources must be obtained from external sources, and perhaps the most vital resource emanating from external actors is capital. For nonprofit entrepreneurs, there are multiple suppliers of capital, including individuals, foundations, corporations, and government (Chambré & Fatt, 2002; Young & Grinfelder, 2011).

The requisite to construct a start-up resource base, in combination with the plurality of funding options available, means key considerations, selections, and design choices regarding start-up resources take place during the nascent stage (Haugh, 2007). Furthermore, as noted by Young and Grinsfelder (2011, p. 548), because nonprofit funders and investors only "tend to cover smaller proportions of overall resource needs for shorter periods of time," nascent nonprofit entrepreneurs must strategize and select which funding sources to target and assess the quantity of resources needed from each of these sources to make the intended nonprofit operational. There is, of course, no guarantee such ex-ante funding assessments are always correct, yet, without having clarity of and confidence in the intended funding strategy, the nascent nonprofit entrepreneur cannot act in a decisive manner. The forming of such funding intentions aligns with Steinberg's (2006) integrated theory, where potential nonprofit entrepreneurs, before deciding to act and form a new nonprofit, typically consider the costs of entry, agency costs, and resource availability.

The following section will discuss in more detail the various types of possible start-up funding resources accessible to nonprofit entrepreneurs. A key source, long recognized in the business entrepreneurship literature, consists of individuals with near ties to the entrepreneur, e.g., relatives, colleagues, friends, and neighbors (Ando, 1985; Steier, 2003). Such close and informal funders, including family, friends, and board members, have also been highlighted as potent sources of start-up capital for nonprofit entrepreneurs (Arrick, 1988). Andersson (2014) examined young nonprofits in Wisconsin and found that over 80% of organizations indicated they obtained funding directly from their board members. Still, Van Slyke and Lecy (2012), in their study of over 1,100 nonprofit start-ups, found that only one in four organizations received financial contributions from all of its board members during the first two years of operation. However, they also reported private individuals, including family and friends, were among the most important sources for initial investments for young nonprofits.

Arrick (1988) further identifies donations and grants as viable nonprofit start-up options. The centrality and importance of donations are shown in Van Slyke and Lecy's (2012, p. 17) study "with 70% of nonprofits reporting that their most important source of funding in the first year came from donations." Young and Grinsfelder (2011) conducted a close reading of cases of successful social enterprises to explore how they approached the task of securing funding for their organizations and found philanthropy to be the most common principal source of sustaining funding for these organizations. Furthermore, according to a report issued by SustainAbility and The Skoll Foundation (2007), many social entrepreneurs also look to foundations for start-up funding. When asked which sources of funding the social entrepreneurs felt offered the best avenues for them to pursue, nearly three out of four answered foundations. Foundation and corporate grants do, albeit to a lesser extent, appear to play a role in the nonprofit start-up funding mix, according to the study conducted by Van Slyke and Lecy (2012). Also, the report from SustainAbility and The Skoll Foundation (2007, p. 22) noted, "[o]ne of most striking findings was the remarkable collapse in the number of entrepreneurs expecting to be relying completely on grants in five years.” In other words, though foundation grants may be considered a vital source of start-up funding, it is not necessarily seen as a long-term funding option.

Some nonprofit scholars emphasize the critical role of earned income for nonprofit entrepreneurs (e.g., Boschee & McClurg, 2003). The report by SustainAbility and The Skoll Foundation (2007) noted that nearly 60% of social entrepreneurs hoped to draw at least some funding from earned revenue such as fees and/or sales. The report also described how the majority of social entrepreneurs hope to move from donative toward commercial types of revenue as their organizations grow and evolve. Hence, whereas foundation grants appear to be of greater importance during the start-up stage and later phased out, the importance of earned income tends to grow as the organization evolves. Van Slyke and Lecy (2012) also noted capital from earned income played a much more modest role compared with philanthropic sources of funding during the first two years of operations. Still, 26% of the nonprofits in their sample did report obtaining earned revenue during the start-up stage.

Finally, previous research has highlighted access to credit cards, as well as personal savings, as an important determinant of entrepreneurial activity (e.g., Bennett & Dann, 2000; Chatterji & Seamans, 2012). Andersson (2014) found that nonprofit entrepreneurs frequently utilized their own credit cards as well as tapped into personal savings to capitalize their nonprofits. Interestingly, Van Slyke and Lecy (2012) reported a majority (84%) of young nonprofits did not take on any debt. However, it is unclear if debt in this context also included the use of personal credit cards or referred to bank loans.

In summary, obtaining start-up funding can be a daunting task, and the existing literature illustrates that young nonprofits tend to draw from a variety of funding sources during the start-up phase. The literature also indicates the revenue mix might shift and change as the organization develops. This paper now moves to build upon and expand this literature by studying in more detail the funding intentions among nascent nonprofit entrepreneurs.

Method

This article takes a descriptive quantitative approach to examine, compare, and contrast in some detail nascent nonprofit entrepreneurs’ funding intentions. A short survey was created, first asking the nascent nonprofit entrepreneur to briefly describe the purpose of his or her emerging organization. Second, each respondent was asked to provide an estimate of how much money he or she believes it would take to start and run an emerging venture the first year. Next, the nascent nonprofit entrepreneurs were asked to indicate where he/she/they intend to obtain funding for the first year of operations, choosing from a list of possible funding sources derived from the previous literature reviewed above. The list included eight options: (i) grants from foundations and/or corporations; (ii) government grants; (iii) donations from family/relatives, friends and/or private individuals; (iv) membership fees; (v) sales of goods and/or fees for services; (vi) personal savings and income; (vii) loans and/or personal credit; and, (viii) other (if selecting this option the respondents were asked to specify the funding source). In addition to asking about the type of funding sought, the survey also examined the relative importance of the different funding streams by asking the respondents to estimate how much of the total funding (as a percentage) they expected to obtain from each of the selected sources for the first year. Respondents were asked to repeat the procedure (type and of funding and expected percentage of funding from each source) for year five of operations. The purpose of this question was to examine to what extent nascent nonprofit entrepreneurs anticipate making changes to their original funding strategy as the new nonprofit venture matures.

Each survey also asked about background variables such as age and gender, including whether the respondent had ever started a nonprofit or for-profit business in the past. This variable was included because previous scholarship suggests entrepreneurs acquire valuable insight from previous entrepreneurial experiences potentially impacting entrepreneurial judgment and evaluation (Cassar, 2014).

Perhaps the greatest challenge facing those researching nascent stage phenomena is sampling. Given the organization of a nascent nonprofit entrepreneur is in gestation, i.e., not yet formally established and registered, it can be difficult to identify who the nascent nonprofit entrepreneur is. To address this issue, researchers have conducted large-scale random telephone surveys attempting to find individuals involved in the creation of a new organization using various screening questions. However, this is a tremendously resource-heavy and time-demanding approach. Instead, the sample for this study consists of participants partaking in a free workshop called "Planning a New Nonprofit: Essential Planning Steps and Legal Requirements" organized by the Midwest Center for Nonprofit Leadership in Kansas City. As this program covers key basic practical procedures and steps to legally become a nonprofit organization, it is directed toward and attracts nascent nonprofit entrepreneurs, i.e., those engaged in activities that are intended to culminate in a viable organization.

Data were collected from participants in seven "Planning a New Nonprofit" workshops taking place from November 2013 to November 2014. At the beginning of each workshop occasion, the facilitators from the Midwest Center for Nonprofit Leadership distributed questionnaires and consent forms before the program started and explained the purpose of the study. A total of 189 individuals participated from November 2013 to November 2014. To identify those who might be considered active, nascent nonprofit entrepreneurs, a screening question was utilized: *Are you alone, or with others, currently trying to start up a new nonprofit organization?* Only those explicitly answering yes to this question were included in the final sample: 111 surveys were returned from the program participants; five questionnaires were only partially filled out and could not be used; and an additional three participants answered no to the above screening question. Hence, the final sample consisted of 103 nascent nonprofit entrepreneurs participating in the program, which represents a response rate of 54.5%.

Results and Discussion

Of the 103 nascent nonprofit entrepreneurs, 61% were women, the average age was 40.06 years (std dev. 12.84; Min 22; Max 76), and 35% indicated they had previously started an organization (of which 63% had started a business venture and 37% a nonprofit). Each respondent was also asked to briefly describe the type and purpose of the nonprofit they intended to create. Because nascent nonprofits are not formally registered, they have no NTEE code. Thus, a judgment call had to be made based on the description provided to determine organizational type: 19 entrepreneurs did not provide an answer, and 13 descriptions were too vague to make any useful classification (e.g., "the goal of my organization is to improve my local community"). Of the classified organizations, most were labeled *human services* (29) reflecting organizations whose primary purpose is to support the personal and social development of individuals and families. This category included ventures focusing on serving the elderly, the unemployed, the poor, and the developmentally disabled. In addition, respondents describing their new nonprofit being focused on food security, housing, and youth development were included in the human services

Table 1. Intended Sources of Start-Up Funding (Year 1) and Operational Funding (Year 5)

Source	Year 1 (%)	Year 5 (%)
Philanthropic Grants	67	71
Donations	57	75
Personal Income	45	4
Sales and Fees	34	44
Government Grants	26	26
Membership	22	32
Loans and Credit	16.5	1
Other		
Angel investor/donor	17	4
Donation from church	11	9
Crowd funding	5	-
Donation from other nonprofit organizations	3	3
Donation from municipality	3	-
Donation from school/educational institution	3	-
Money earned from special start-up event	< 1	-
Money earned from sales of property	< 1	-
Earnings from investments	< 1	-

category. Fifteen new ventures were labeled *arts and culture* organizations, including "a children's museum," "performing art space," and an "independent theatre group." Fifteen new ventures were labeled *education* organizations, reflecting nascent nonprofit entrepreneurs explicitly seeking to open new schools and/or educational programs. The remaining organizations were labeled *environment* (7), including "an urban agriculture initiative to support a greener city" and a "water preservation action group," *religion related* (3), and health (2) organizations (ventures promoting the prevention and treatment of illnesses).

In terms of the estimated start-up capital needs for the first year of operation: 9% indicated start-up capital needs of less than $5,000; 46% indicated start-up capital needs to fall between $5,000 and $10,000; 31% indicated start-up capital needs in the $10,000 to $20,000 range; 14% estimated start-up capital needs exceeding $20,000. In their study of over 1,000 successful founders of nonprofits, Van Slyke and Lecy (2012) reported the typical nonprofit start-up costs were approximately $5,000, and about one in four of new nonprofits reported start-up costs over $20,000. Also, of the nascent nonprofit entrepreneurs estimating start-up capital needs exceeding $20,000, approximately 30% were located in the education subsector grouping.

In addition, based on feedback from the program facilitators, nearly all workshop participants reside and plan to operate in the greater Kansas City metropolitan area. The Kansas City MSA currently has more than 7,500 IRS registered charitable nonprofits, and about one-third of these organizations (2,449) report annual revenues of more than $25,000 (Midwest Center for Nonprofit Leadership, 2015). The Kansas City nonprofit sector is comparable, in terms of size, to those of other similar US metro regions, and human services agencies comprise the largest share of organizations (28%) in the region's nonprofit sector. Kansas City also has a strong community of over 500 foundations, including one of the biggest community foundations in the United States, and nearly one in four of all Missouri and Kansas foundations are based in the Kansas City metro region. Previous research has also reported that Kansas City-area households make charitable donations that significantly exceed the national average, and that a larger share of charitable giving in Kansas City, compared with the rest of the nation, is directed through foundations (Center of Philanthropy, 2009).

The first question to be examined is from whom nascent nonprofit entrepreneurs plan to acquire funding to cover the start-up investments/expenses of their emerging nonprofit. Table 1 shows all sources mentioned by the respondents, and the percentage of nascent nonprofit entrepreneurs indicating they intend to obtain some level of funding from this particular source. Table 1 also shows from which sources the nascent nonprofit entrepreneurs intend to obtain operational funding in five years from now.

The average number of funding sources in the nascent entrepreneurs' funding portfolio was 3.12 (std. dev. 1.28) for Year 1 and 2.61 (std. dev. 0.88) in Year 5. There are two initial observations to be made from the above results. First, start-up funding intentions of nascent nonprofit entrepreneurs are highly heterogeneous. Although a majority of respondents consider some level of philanthropic grants and donations to be part of the start-up funding mix, nascent nonprofit entrepreneurs are looking to a wide spectrum of potential funding sources to help cover start-up expenses and investments. Moreover, while not explicitly asked to mention any nonmonetary means to support the emerging nonprofit, four of 10 nascent entrepreneurs commented they intended to utilize some type of bootstrapping method such as pro-bono services, borrowing equipment, or operating the new nonprofit from home during the start-up stage. Second, as the new nonprofit transitions from the start-up (year 1) to a more mature stage (year 5), there is a shift away from the personal and alternative to more "traditional" means of funding. These planned alterations in funding structure point to the presence of a start-up mode of funding where, in addition to philanthropic grants and donations, funding emanating from the nascent nonprofit entrepreneur him/herself (e.g., personal savings and credit), and various types of seed funding (e.g., angel donors, various institutional donations, and crowd funding) play a significant role.

However, table 1 gives no indication about the relative importance of the different funding sources. Given the breadth of possible funding options, which are seen as the most important for start-up funding? Philanthropic grants are clearly considered important, as two out of three nascent entrepreneurs seek to utilize such grants to cover a portion of their total start-up funding needs. However, if we group the nascent nonprofit entrepreneurs by their estimated start-up capital needs, a somewhat more diverse picture emerges. For example, among the nascent nonprofit entrepreneurs estimating their start-up capital needs to be less than $5,000, the most important source(s) of funding is found in the "other" category. In fact, all respondents in this group indicted the intention to obtain funding from "other" sources (in particular from an angel donor or donations from a church) that would cover, on average, nearly 60% of the total start-up capital needs. This can be contrasted with the group estimating start-up capital needs exceeding $20,000, where only 14% indicated they intended to obtain funding in the "other" category. Instead, the most important funding sources emphasized by the nascent nonprofit entrepreneurs in this group are philanthropic and government grants, and 65% indicated they would rely on personal savings and income to cover, on average, about one-third of the start-up expenses and investments. Finally, among the nascent nonprofit entrepreneurs estimating their start-up capital needs to be fall between $5,000 to $20,000, two funding sources stand out as particularly critical: philanthropic grants and individual donations. When combined, we find nearly two-thirds of respondents in this group intend for these two sources to cover a majority of their start-up capital needs. Still, very few intend for these grants and donations to cover all of their start-up capital needs. Close to half of the respondents in this group indicate they would obtain (on average) 20% of the start-up capital from personal savings and income. Furthermore, 44% indicated they would use "other" means, 32% would use money made from sales, and 25% would draw on membership fees.

Table 2. Top Three Intended Sources of Start-Up Funding and Average Funding Expected

Organization Type	Funding Source	Frequency[a] (%)	Mean[b] (%)
Human Service (n=29)	Philanthropic Grants	79	45
	Donations	69	33
	Personal Income	45	25
Arts and Culture (n=15)	Sales and Fees	76	40
	Donations	66	29
	Philanthropic Grants	60	30
Education (n=15)	Government Grants	66	40
	Philanthropic Grants	66	35
	Donations	60	35
Other (n=12)	Philanthropic Grants	58	45
	Government Grants	50	40
	Personal Income	42	20
Unknown (n=32)	Philanthropic Grants	62	45
	Personal Income	56	30
	Donations + Other	56	25/25

[a] Percentage of respondents indicting they would seek funding from this source
[b] Average share of funding respondents anticipate to obtain from this source to cover total start-up capital needs (numbers have been rounded)

When we separate the nascent nonprofit entrepreneurs into groups based on their estimated overall start-up capital needs, some variation can be observed in terms of what funding sources are considered most important. However, the $5,000 to $20,000 group encompasses more than 75% of the nascent nonprofit entrepreneurs in the sample. A different view is presented in table 2, which displays the most frequently mentioned start-up funding sources based on the subsector each nascent nonprofit entrepreneur plans to enter. Table 2 also reports the percentage of funding (on average) the nascent nonprofit entrepreneurs in each group anticipates to obtain from each funding source to help cover their total start-up capital needs.

Looking at the three specified subsector categories (human service, arts, and education), there appears to be some support for the idea that subsector choice matters in shaping the funding intentions of nascent nonprofit entrepreneurs. Respondents in the human services group clearly favor philanthropic start-up funding, whereas earned income plays a major role in the arts and culture group and government funding in the education group. This finding reinforces the basic gist of benefits theory (Young, 2017), which postulates that revenue streams for nonprofits stem from the nature of the services offered by the organization.

Still, table 2 also unequivocally reveals the central role philanthropic funding sources play in the minds of nascent nonprofit entrepreneurs as they prepare to start up their organizations. Philanthropic grants are the most frequently mentioned source for start-up funding in four of the five groups, and individual donations are considered a top-three funding source in four of five groups. The importance nascent nonprofit entrepreneurs place on philanthropic funds, philanthropic grants in particular, is noteworthy for several reasons and raises questions for future research. First, philanthropic funding is unquestionably perceived as a viable source for start-up capital among nascent nonprofit entrepreneurs, but is it really? Both donations and grants have indeed been highlighted as potential sources for nonprofit seed funding (Arrick, 1988). The importance of philanthropy for new nonprofits also has some empirical support. Van Slyke and Lecy (2012) found the most critical source of capital for nonprofits in their first year of operations was, by far, private donations. Thus, nascent nonprofit entrepreneurs appear to appropriately identify individual donations as crucial and viable funding sources to help cover start-up capital needs. Van Slyke and Lecy's study also asked about philanthropic grants, but, in contrast with individual donations, they found less than a third of new nonprofit start-ups had received some sort a foundation or corporate grant during year one. Also, only 14% of the nonprofit entrepreneurs in Van Slyke and Lecy's study considered philanthropic grants to be their most important funding source during the start-up phase. So, with regard to foundation and corporate grants, there is an incongruity in terms of the relative importance nascent nonprofit entrepreneurs place on these grants compared with nonprofit entrepreneurs actually having started a new nonprofit.

A second observation is that many of the nascent nonprofit entrepreneurs, irrespective of the mission-orientation of the emerging organization, intend to compete for philanthropic grant dollars they are unlikely to get. Faulk and Andersson (2015) investigated foundation grants made to new nonprofits in Milwaukee between 2003 and 2012 and reported that new nonprofit start-ups receive grants at significantly lower rates than already established nonprofits. According to Faulk and Andersson, these findings lend support to the notion that new nonprofits face a liability of newness, making nonprofit entrepreneurs less likely to secure foundation funding during the start-up phase. It is also feasible to assume that emerging nonprofits will have limited fundraising capacity, which further diminishes their likelihood of securing grants on an already highly competitive market for philanthropic grants dollars. Furthermore, a study by the Center of Philanthropy (2009) reported that the median grant size from Kansas City foundations for all types of recipients was $2,000. So, even if a new nonprofit is able to obtain a foundation grant, the size of such a grant is likely to be quite modest. So if, as suggested by Steinberg (2006), potential nonprofit entrepreneurs do consider the costs of entry, agency costs, and resource availability before deciding to form a new nonprofit, then why are they opting for a source of funding they are not likely to obtain? One option is that nascent nonprofit entrepreneurs are overconfident and overoptimistic (or just foolish) (Koellinger, Minniti, & Schade, 2007).

Future studies need to examine if nascent nonprofit entrepreneurs are more susceptible to certain cognitive biases leading to erroneous inferences or assumptions. A second option is that nascent nonprofit entrepreneurs believe they can offer something new and innovative, which gives the emerging nonprofit a competitive advantage, thus allowing them to attract hard-to-come-by philanthropic funding. It is worth noting that, when Van Slyke and Lecy (2012) asked the question, "Would you say your nonprofit is innovative?" more than three out of four nonprofit entrepreneurs in their sample answered yes. However, the extent to which new nonprofit entrepreneurs truly introduce new and innovative services remains an understudied subject. A third option is that securing a foundation grant brings legitimacy to the emerging organization. Receiving such a "stamp of approval" from an established funding source thus works as a powerful signal to other funders thinking of investing in the new venture. As noted by Faulk, McGinnis Johnson, and Lecy (2017, p. 263), "[i]n the context of foundation grants, we expect nonprofit organizations' previous funding relationships with other foundations in a market to increase an organization's perceived status and quality. If a nonprofit has received prior grants, it has already been vetted by other foundations and therefore is perceived as more trustworthy or effective."

A third observation is that many nascent entrepreneurs in this study, rather than seeking to start up new organizations in mission areas with few existing agencies, are planning to start new nonprofits in mission niches where a lot of organizations are already in operation, e.g., human services and education (Midwest Center for Nonprofit Leadership, 2015). While it is important to note that several of the nascent nonprofits in this study are in the unknown category, one

Table 3. Differences in Intended Sources of Start-Up Funding and Average Funding Expected Between Experienced and Novice Nonprofit Nascent Entrepreneurs

	Previous Start-Up Experience (n=36)		No Previous Start-Up Experience (n=67)	
Funding Source	Frequency[a] (%)	Mean[b] (%)	Frequency[a] (%)	Mean[b] (%)
Philanthropic Grants	64	21	69	50
Donations	22	31	28	34
Personal Income	53	30	60	34
Sales and Fees	33	22	16	45
Government Grants	53	21	24	32
Membership	72	29	30	24
Loans and Credit	42	20	3	30
Other	64	24	34	39

[a] Percentage of respondents indicting they would seek funding from this source

[b] Average share of funding respondents anticipate to obtain from this source to cover total start-up capital needs (numbers have been rounded)

could make the argument nascent entrepreneurs ought to start new nonprofits in mission niches with less competitors. Such niches might enjoy greater surplus margins and provide more opportunities for growth. For example, in the study conducted by the Center of Philanthropy (2009), international aid organizations in Kansas City received (on average) the largest grant size, averaging over $40,000 with a median grant size of $3,750. Still, no nascent entrepreneurs with an identified mission niche indicated they would start an international aid organization. Clearly, individuals are unlikely to create new nonprofits solely focusing on which mission niche offers the best chances for funding. But if the goal is to create a sustainable new nonprofit, then scanning for viable sources of funding must be part of the start-up funding strategy. The finding that a majority of nascent nonprofit entrepreneurs in this study will enter an already dense population, with significant competition for funds, suggest many are on a path toward failure. Still, to date we know relatively little about nonprofit entrepreneurial failure, and, in order to progress in this area, more research is certainly needed to assess failure rates of nascent nonprofits, and trying to find robust explanations as to why some nascent nonprofit entrepreneurs succeed while others do not.

To better comprehend the funding intentions of nascent nonprofit entrepreneurs, we may also need to pay closer attention to the background and experiences of the nascent nonprofit entrepreneur. As observed by Brush, Greene, and Hart (2001, p. 64), obtaining and marshaling start-up funding is a daunting task, and, because emerging organizations have no history, little accumulated organizational knowledge, or formal reputation to fall back on, nascent "strategic resource decisions are based on judgment using only current information." One factor scholars have found that affects these judgments are the insights entrepreneurs acquire from previous entrepreneurial experiences (Cassar, 2014). To examine whether prior entrepreneurial experience has any impact on start-up funding intentions, the respondents were separated into two groups: those with and those without previous start-up experience. Nascent nonprofit entrepreneurs with prior start-up experience were somewhat older (M=43.83) than those with no previous experience (M=37.94) and intended to use more sources of funding (M=4.00; std. dev. 1.24) compared with those with no previous start-up experience (M=2.64; std. dev. 1.04, $t(101)=5.89$; $p<0.00$). There were no differences between the two groups in terms of how much money they estimated needing to start the emerging nonprofit organization. Table 3 shows the start-up funding intentions for the two groups.

Are there any differences in the start-up funding preferences and intentions between experienced and novice nascent entrepreneurs? Again, we find philanthropic grants play a central role for both groups, although respondents with no previous experience intend for philanthropic grants to cover a much larger share of their total start-up funding capital needs. The most distinct difference is that the experienced group is noticeably more likely to draw from personal savings, income, loans, and credit and also appears to more frequently look to various forms of earned income as a key source of revenue. It is also interesting to note how nearly two of three nascent nonprofit entrepreneurs with previous experience intend to use “other” sources to obtain initial start-up capital compared with only one in three in the less-experienced group. One interpretation of this finding is that experienced nascent nonprofit entrepreneurs are more aware, through learning, of just how difficult it can be to obtain funding from external financiers. Their intentions to utilize personal means, “other” funding sources, and earned income therefore represent a start-up funding tactic based on minimizing the need for external funding that would allow the emerging organization to get going. Another interpretation is the intention to rely less on external funding as a way for the entrepreneur to increase her/his autonomy, i.e., the entrepreneur can deploy these resources more freely without considering demands from external funders. While these findings are preliminary, they do suggest there is reason to believe previous experience could be an important element to consider when researching nonprofit entrepreneurship.

Conclusion

This article has posited that one of the most pivotal questions facing nascent nonprofit entrepreneurs is how and from whom to acquire and marshal the financial resources to start up and create a viable and functional new nonprofit organization. Though securing financial resources is not the only step, it is certainly one of the most critical for nascent nonprofit entrepreneurs wanting to succeed in creating a new organization. The goal of the exploratory study presented has been to examine nascent nonprofit entrepreneurs and their intended early funding strategies.

This study finds funding intentions among nascent nonprofit entrepreneurs to be rather dynamic. Not only do they intend to draw from multiple and varied sources of funding, they also intend to alter and rearrange the funding structure of the organization as it ages. These signs of a start-up mode raise additional questions for future exploration. First, they illuminate that owning and controlling capital assets are a potentially important element of nonprofit entrepreneurship. This research found that the perceived amount of start-up capital needed for most nascent nonprofit entrepreneurs is estimated to fall somewhere between $5,000 to $20,000. Many nascent nonprofit entrepreneurs clearly intend for a significant portion of this start-up capital to come from their own pockets. This lifts a critical question: Does being wealthier increase the odds of starting a nonprofit, or alternatively, are individuals kept from forming new nonprofits because they lack adequate capital? However, *access* to start-up capital appears just as important as owning it. For example, of the respondents saying they intend to utilize their personal income and savings as a source of funding year one, only 7% planned to draw half or more of the total funding for year one from their own pockets. Hence, owning capital is important but so is the ability to retrieve start-up capital from external sources, which in turn accentuates the role and relevance of the entrepreneur’s personal networks and social capital as a potentially vital element to comprehend the nonprofit start-up process.

Furthermore, this research also indicates many nascent nonprofit entrepreneurs intend to use non-monetary means to handle the resource needs of the start-up process by, for example, practicing barter or relying on pro-bono services. This finding reinforces previous research that stresses (social) bricolage as a vital element in the creation phase of social enterprises (Desa & Basu, 2013; Di Domenico et al., 2010). Bricolage is not only a resource mobilization tactic but also a legitimizing practice for fledgling social ventures (Desa & Basu, 2013). Furthermore, bricolage sometimes leads the nonprofit entrepreneur to discover new opportunities and capacities in the social venture process (Di Domenico et al., 2010). Still, social bricolage usage appears to be highly context contingent (Deas & Basu, 2013) and clearly warrants more in-depth examination. For example, future studies need to explore how common social bricolage is among nonprofit entrepreneurs, what specific bricolage tactics/methods they intend to and ultimately utilize, what the balance between pecuniary and non-pecuniary means looks like during the start-up phase, and how it has an impact on the likelihood for formal organizational creation and early development.

This article has provided an early glance into the funding intentions of nascent nonprofit entrepreneurs and argued that the nature of the capital structure (both the level and sources of the capital) are of great relevance to comprehend the success or failure of those ventures. However, as noted in the introduction, it is essential to note that this study also has obvious limitations. Yet, despite these inadequacies, this study has been able to illuminate the importance of paying close attention to the nonprofit nascent stage to get a more complete picture of the nonprofit entrepreneurship process.

Disclosure Statement

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