

Intermediaries as Capacity Builders: The Rise of Specialist and Generalist Nonprofit Management Support Organizations

University of Southern California
Yusun Cho

Abstract

Nonprofit management support organizations (MSOs), which provide managerial services for other nonprofits, play an essential role in improving the sector. Despite the MSO field's growth, only a few studies have examined them. This paper investigates the growth of MSOs from 1990-2005 and the factors that influence their form: generalist or specialist. A generalist MSO assists other nonprofits regardless of their service areas, whereas a specialist MSO only targets a very limited number of clients within a service area. Based on the resource partitioning theory and organizational ecology perspectives, this research addresses questions concerning how market resources and competition influence the growth of MSOs in the nonprofit sector. From the results of longitudinal logit analysis, this research finds evidence that the presence of nonprofits in a particular service area highly influence the finding of a specialist. Especially, the findings of this research indicate that MSOs benefit from choosing to become specialists since they gain legitimacy by the growth of MSOs while at the same time protecting themselves from direct competition with generalists. However, the analysis also reveals that only limited number of specialist MSOs exists in the nonprofit sector, so the specialist MSOs are highly sensitive to the competition with the same types of MSOs either.

Introduction

Management support organizations (MSOs) are crucial intermediary organizations in the nonprofit sector. MSOs are nonprofits that serve other nonprofit entities through training and consulting on such issues as leadership, planning, and human resource development (Abramson & McCarthy, 2012; Connor et al, 1990; Brown & Kalegaonkar, 2002). Due to limited resources, nonprofits face many challenges including the lack of basic business infrastructure and managerial expertise. In order to overcome these difficulties, an increasing number of nonprofits are turning to MSOs for these services. Over the past decade, MSO field has evolved from the typical single-support organization to a field occupied with professionalized, managerial organizations that assist a variety of nonprofits in multiple domains. In spite of its gradual rise in importance, only a few studies have investigated nonprofit management supportive organizations.

In order to illuminate unknown aspects of nonprofit MSOs, this research investigates the growth of the MSOs from 1990-2005 and the factors that influence their form: generalist or specialist. A generalist MSO assists other nonprofits regardless of their service areas, whereas a specialist MSO only targets a very limited number of clients within a specific service area (Abramson & McCarthy, 2012). Resource partitioning theory suggests that market resources and competition between organizations are key factors in the strategic positioning of organizations in the market (Baum & Singh, 1996; Singh & Lumsden, 1990; Hannan & Freeman, 1977; Aldrich & Ruef, 2006; Tucker et al., 1990; Carroll, 1985; Corroll and Swaminathan, 2000). Furthermore, organizational ecological perspectives have effectively addressed the density dynamics of an organizational population, such as the effects of competition on organizational founding and disbanding in an industry (Bielefeld, 1994; Twombly, 2003; Hager et al., 2004; Tucker et al., 1990; Galaskiewicz & Bielefeld, 1998). Based on the resource partitioning theory and organizational ecology perspectives, this research addresses research questions concerning how market resources and competition influence the growth of MSOs in the nonprofit sector.

I hypothesize that the number of potential MSO clients (i.e. nonprofits) will directly affect the number of both generalist and specialist MSOs entering the population. However, I expect that the entrance of specialist MSOs will be more sensitive to the specialist service area that they belong to. Furthermore, I assume that competition in a market will be a key factor in the growth of the sector. The resource partitioning theory argues that the existence of generalists will force organizations to specialize their service areas for occupying a strategic position in a market, so it has positive effects on the founding of specialists. However, competition with organizations having similar functions negatively influence on the founding of new organizations. Based on this perspective, I expect that the density of generalists has a positive effect on the founding of specialists while the density of specialists has a negative effect on it. Beyond the population dynamics, I am also curious to find out which service areas are more likely to be composed of interdependent and symbiotic specialists. I hypothesize that service areas characterized by networked service delivery to be more likely to have specialized MSOs than services areas with fewer linkages.

By using National Center for Charitable Statistics data form 1990 to 2005, this research finds that the size of the nonprofit sector drives the founding of specialists MSOs. This research found evidence that the presence of nonprofits in a particular service area highly influence the

finding of a specialist. Especially, the findings of this research indicate that MSOs benefit from choosing to become specialists since they gain legitimacy by the growth of MSOs while at the same time protecting themselves from direct competition with generalists. However, the analysis also reveals that only limited number of specialist MSOs exists in the nonprofit sector, so the specialist MSOs are highly sensitive to the competition with the same types of MSOs either.

This research makes both theoretical and practical contributions in the nonprofit sector. By drawing on resource partitioning and organizational ecology, this study enhances our understanding of the nonprofit MSOs and the factors affecting their forms. Specialist MSOs were more sensitive to competition than resource availability and competition due to the small size of the MSO industry. Practically, this research contributes to strengthening nonprofit and nonprofit infrastructure by suggesting new types of nonprofit management efforts through intermediary organizations. The findings of this research suggest that nonprofit MSOs arena has not been developed yet despite of continuous discussion of the importance of building nonprofit infrastructures and this implies the limited the role of nonprofit MSOs as the capacity builder of the nonprofit sector.

Background

Nonprofit Management Support Organizations

Nonprofit MSOs are nonprofit organizations that build the capacity of individual nonprofits through providing management assistance and support, organization development and other consulting and support services with the goal of improving organizational effectiveness (Renz, 2008; Abramson & McCarthy, 2012; Connolly et al., 2003). Amateurism is the one of the challenges hindering the development of the nonprofit sector; many nonprofit organizations lack managerial and organizational skills required by organizations to survive and achieve their missions successfully (Brown & Kalegonkar, 2002). In order to deal with the challenges that nonprofits face, nonprofit MSOs provide a wide range of management assistance services, such as consulting, training, and workshops on staff development, leadership skills, board governance, strategic planning, fundraising, and financial management (Brown & Kalegonkar, 2002; Connolly et al., 2003; Iraheta, 2008; Da Vita & Fleming, 2001). The primary task of nonprofit MSOs is helping community organizations accomplish their missions effectively, and it

ultimately contributes the establishment of the strong nonprofit sector and civil society (Brown & Kalegonkar, 2002; Brown et al., 2008).

The evolution of nonprofit management assistant services by specialized providers (i.e. nonprofit MSOs) began in the late 1960s with the needs of rationalization and professionalization of the nonprofit sector (Abramson & McCarthy, 2012). Rationalization refers to “the integration of formalized roles and rules” in an organization (Hwang & Powell, 2009), and professionalization denotes “a shift away from amateur or personalized responses to needs or problems and toward technical and often standardized approaches to providing services that reflect expert knowledge gained through specialized training” (Abramson & McCarthy, 2012). The growth of the nonprofit sector and the expansion of government contracting with nonprofits require nonprofits organizations to work in effective and efficient manner by improving their internal management process (Abramson & McCarthy, 2012). As a result, this has facilitated the adoption of professionalism and rationalization of nonprofits, especially when the sector observes the success of organizations having rationalized and professional organizational structures (Abramson & McCarthy, 2012; Hwang & Powell, 2009). Nonprofit MSOs emerged in order to satisfy this needs and tendency of the sector, and they have enhanced professional development and managerial capacity of nonprofit organizations. Since the 1970s, MSOs population has grown significantly and the MSOs have played important roles in strengthening the sector (Abramson & McCarthy, 2012). For example, the number of nonprofit MSOs in 1990 was about 550 and it became about 1100 in 2005 with increasing every year.

Over the past decade, MSO field has evolved from sector-wide management organizations assisting a variety of nonprofits in multiple domains to MSOs serving a field occupied with a specific service area. The first type is a generalist MSO assists other nonprofits regardless of their service areas, whereas the second type only targets a very limited number of clients within a service area. For example, Alliance for Nonprofit Excellence works for strengthening nonprofits toward excellence by providing various types of management services, such as the Program for Nonprofit Excellence, which is an intensive three-year capacity building program for nonprofit organizations. Although Alliance for Nonprofit Excellence does not specify their client nonprofits’ service areas, National Arts Strategies, Inc. states that their mission is to stabilize communities of arts organizations in the United States. The first type of MSOs serving the nonprofit sector as a whole is referred as generalist MSOs and the second type

of MSOs oriented in a specific subsector is called specialist MSOs. Despite a distinct difference between two forms of nonprofit MSOs, only a few studies have focused on this topic.

<Figure 1> The number of nonprofit MSOs from 1990 to 2005

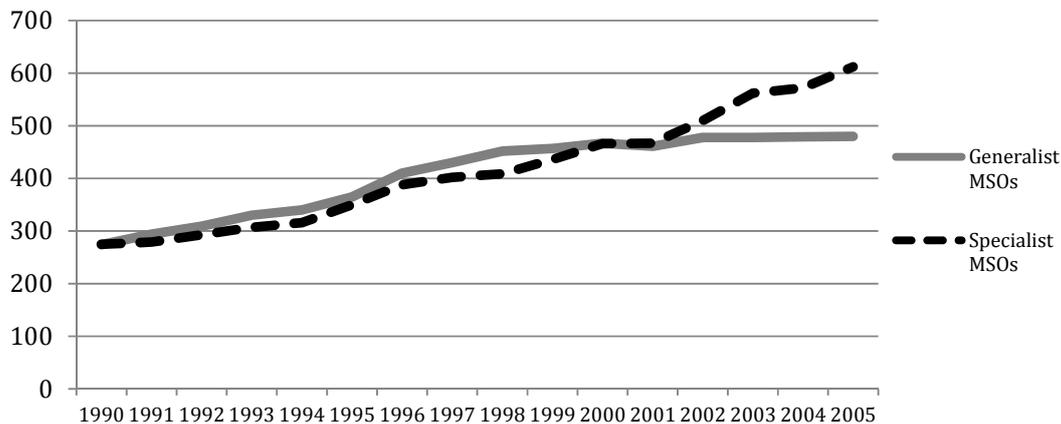


Figure 1 presents the growth of nonprofit MSOs after 1990. The number of generalist MSOs increased until 2000, but it didn't show the growth after 2000s. However, the number of specialist MSOs sharply increased and it exceeded the size of the generalist after 2000s. Specialists MSOs have experienced significant growth in recent decades by targeting the needs of their clients in a specialized subsector of the nonprofit sector (Abramson & McCarthy, 2012), yet very few studies have examined this topic empirically. Thus, this research investigates the growth of nonprofit MSOs and the factors affecting their forms based on the resource partitioning theory and organizational ecology.

Organizational Ecology and Population Dynamics

Organizational ecology has investigated environments in which organizations compete and it has attempted to explain the process of rise and demise of organizations in a population by emphasizing competition. A population of organizations means an aggregate of organizations that share common subjects and resources in same environments, so they compete for limited resources in a market (Hannan & Freeman, 1977). If organizations do not fit into the environment, they will fail or be eliminated from a market (Baum & Singh, 1996). Along with the environmental selection process, the ecology theory believes that the combinations of organizations reach optimal point through competition mechanism (Hannan & Freeman, 1977).

The main research questions of organizational ecology are how environments influence intra-population conditions, such as 1) founding of new organizational forms and organizations, 2) disbanding of organizational forms and organizations, and 3) density dependence and population dynamics (Singh & Lumsden, 1990; Aldrich & Ruef, 2006). Population dynamics, which are endogenous processes including foundings, disbandings, and density in a population, influence future status of a population because they affect resource availability and competition in a population (Aldrich & Ruef, 2006; Dobrev & Kim, 2006).

Density dependence refers to “the relationship between population growth processes and the size of the population itself” (Aldrich & Ruef, 2006). According to Hannan and Freeman (1989), the size of a population reflects two underlying processes: legitimation and competition. Increase of density at the first stage intensify the legitimacy of a population, but high increase will lead high competition for resources and thereby hinder influx of new organizations into a market. In other words, the theoretical argument about organizational founding is that prior foundings signal sufficient resources (e.g., knowledge, learning opportunities, and networks in a market), so it encourages influx of new organizations; however, as more organizations inflowing in a market, increased competition would discourage further foundings, which means that there is nonmonotonic pattern and inverse curvilinear effects of density dependence on foundings (Singh & Lumsden, 1990; Hannan & Freeman, 1977; Aldrich & Ruef, 2006; Tucker et al., 1990). In addition, many researchers have investigated the issues on organizational mortality, especially factors in affecting organizational disbanding. The effects of competition and the density dependence are the most prominent factors in explaining the organizational motility; high density of a market will increase the mortality rate of organizations due to the increase of competition in a market (Singh & Lumsden, 1990). Ecological perspectives have effectively addressed the density dynamic issues of a population and researchers in the nonprofit field have also applied these ecological theoretical frameworks to investigate factors of the founding or failure of nonprofit organizations empirically (Bielefeld, 1994; Twombly, 2003; Hager et al., 2004; Tucker et al., 1990; Galaskiewicz & Bielefeld, 1998).

Resource Partitioning between Generalists and Specialists

The one of critics about density dependence model is that the effect of density is not evenly distributed across a population. Thus, resource partitioning theory assumes that

competition within a population affect differently according to niches where organizations focused on (Aldrich & Ruef, 2006). The idea of resource partitioning theory derives from an organization's strategy to maximize their viability. If there are some strong organizations that dominate a market and resources, smaller and weaker organizations will fail unless they find a market where they can occupy a competitive position. Thus, in order to survive in crowded market conditions, those weaker and smaller organizations must seek a viable position in the market by targeting their products to various resources segments and this leads to the resource partitioning of a market and two different forms of organizations (Carroll, 1985; Corroll and Swaminathan, 2000). The resource partitioning perspective suggested two types of organizations based on their niche: 1) generalist organizations targeting wide industry areas and having abundant resources, 2) specialist organizations choosing narrow homogenous targets and avoiding competition with generalists in a crowded market. The relationship between generalists and specialists is mutualistic and they are fundamentally interrelated (Carroll, 1985). According to Carroll (1985), generalists and specialists compete for same resources in unconcentrated markets. However, as concentration increase, generalists begin to focus on the center of a market, while specialists move to peripheral niches for avoiding direct competition with generalists. As a result, the niche has been partitioned into some segments by generalists and specialists and this leads to resource partitioning of a market (Carroll et al., 2002; Aldrich & Ruef, 2006).

Many researchers have been examined market segments and the dynamics of generalists and specialists and they presented empirical evidences to support this theoretical framework (Wholey & Brittain, 1986; Caroll, 1985; Dobrev et al., 2001; Carroll & Swaminathan, 2000; Tucker et al., 1990; Hager et al., 2004; Soule & King, 2008). In the nonprofit research field, Tucker, Singh, and Meinhard (1990) analyzed the patterns of foundings of voluntary organizations according to the types of organizational domain, which are specialists and generalists. Pervious studied found inverse U-shaped curve relationships between founding of new organizations and density and previous foundings, but their research found that curvilinear effect were stronger to specialists while they are not significant to generalists. This research argued that organizational form is important factor of organizational founding process, whereas previous studies missed its importance.

Density dependence and resource partitioning models in organization ecology suggest that competition and market resources are key factors to decide positioning in a market; this

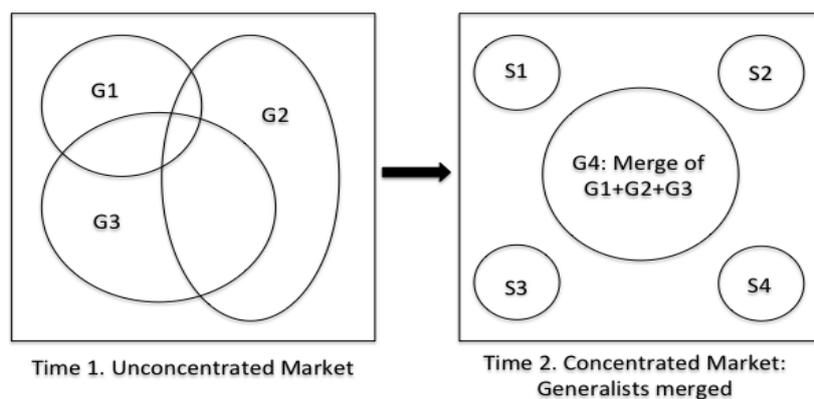
implies that nonprofit MSOs serving specialized subfields takes differentiation strategy in order to maximize their viability through avoiding competition with generalist MSOs. Although specialist MSOs would not be able to occupy larger markets, they can strengthen their position in a market by providing differentiated services. In order to explore the founding patterns of nonprofit MSOs based on this framework, this research conducts an empirical analysis by using time-serious data from 1990 to 2005.

Research Hypothesis

Competition between Generalists and Specialists MSOs

The main argument of resource partitioning theory is that organizational forms are decided by competition and resources in a market. First, the rise of specialist organizations is results of market concentration and resource availability derived from competition of generalists. As discussed in the previous section, Carroll (1985) noted that generalists and specialists compete for same resources in unconcentrated market. As market concentration rises due to the consolidation of generalists, generalists locate in the center of a market, whereas specialists move to peripheral niches for avoiding direct competition with generalists (Aldrich & Ruef, 2006). This process presented in Figure 2 shows how competition of generalists and market concentration expand the available resource for specialists.

<Figure 2> Carroll's model of resource partitioning between generalist and specialist forms¹



Note: G1-G2 are generalists, S1-S4 are specialists

¹ Cited from Aldrich & Ruef (2006) p. 224.

Based on this Carroll's model on resource partitioning and the evolution of specialists, I propose two research hypotheses:

H1: The density of generalist MSOs will have a negative effect on the founding of specialist MSOs.

H2: The rise of market concentration by generalist MSOs will have a positive effect on the founding of specialist MSOs.

Increase of the density of generalist MSOs can reduce peripheral resource space in which specialist MSOs can take advantages from specialization. However, if organizational niches overlap by all organizations, potential competition in a market becomes higher, which means the increase of overlap density (Baum & Singh, 1994). The higher overlap density leads the greater intensified competition in a market; as a result, it is expected to lower the founding rate (Baum & Singh, 1994). From this theoretical perspective, H1 assumes that the high density of generalist MSOs (i.e. high overlap density) discourages foundings of specialist MSOs because it causes high competition. Furthermore, organizations tend to specialize in order to avoid competition with existing organizations. If market concentration is high due to the strong organizations, new organizations seek a viable position in a market by targeting their services in a narrow market. In order to test this, H2 assumes that the market concentration of generalist MSOs would facilitate the growth of specialist MSOs.

Competition of Specialist MSOs in Service Provision

As discussed, density dependence model predicts non-monotonic and inverse U-shaped relationships between organizational density and the rate of foundings (Hannan & Freeman, 1989). The model assumes that increasing organizational density at the beginning stage enhances legitimacy of a market and produces mutualism among market participants; after reaching capacity of a market, high density inhibits new foundings. In order to test the relationship between density and founding of specialist MSOs, H3 build research hypothesis:

H3: the density of specialist MSOs have an inverse curvilinear effect on the founding of specialist MSOs.

Moreover, prior founding and disbanding of organizations are also expected to influence creation of new organizations. Prior foundings of organizations can be a signal about potential opportunities, but it also can be an indication of already-committed resources (Aldrich & Ruef, 2006). Prior disbanding of organizations also have two different interpretations about their effect on foundings of organizations. Many disbandings can indicate openings in niches that become available to new organizations, yet high number of disbandings can be a signal that a population has exceeded its carrying capacity (Carroll & Delacroix, 1982). In order to test these untangled interpretations of the effects of prior founding and disbandings on establishment of new specialist MSOs, this research firstly hypothesizes positive effects:

H4: The foundings and disbandings of specialist MSOs will have positive effects on the founding of new specialist MSOs

Competition for Resources

Resource availability in a market is important factors in deciding founding of organizations. Resource partitioning theory assumed a finite set of heterogeneous resources in a market. However, resources for nonprofit MSOs increase according to the growth of nonprofit sectors. Thus, it is easily anticipated that founding of specialist MSOs are positively associated with the growth of nonprofit sector. In addition, non-overlap resources expect to increase founding rate and lower disbanding rate. Non-overlap resources indicate organizational niches that have no potential for competition for the underlying resources; it is measured as the aggregate of all their sources non-overlap with others (Aldrich & Ruef, 2006). If non-overlap resources are increasing, competitors (i.e. generalist MSOs) turn their attention to abundant resource space in which entrepreneurs could occupy broader niches (Baum & Singh, 1994). Thus, I hypothesize that increasing number of potential MSO clients (i.e. nonprofits in a specific service areas) will positively force specialist MSOs entering in a market as well as non-overlap resources of the generalists (i.e. total number of nonprofits) are positively associated with the founding of specialist MSOs. However, I expect higher effects of direct resources of specialist MSOs on the influx of them.

H5: The number of nonprofits in a certain field and total number of nonprofits will have positive effects on the founding of specialist MSOS serving that specific subfield, but the founding of specialist MSOs will be more sensitive to the specialist service area that they belong to.

In addition, nonoverlap density has an impact on founding probabilities of organizations. The number of organizations that already occupy the same organizational niches discourages entrance of new organizations due to high competition. However, the number of organizations occupying other organizational niches can be a signal of information about differentiation of organizational niches and it can widen social acceptance and legitimacy of the organizational forms as well as needs of complementary services (Baum & Singh, 1994). Therefore, I expect that nonoverlap density of specialist MSOs, which means the number of specialist MSOs in other nonprofit service areas, would be positively associated with founding of specialist MSOs.

H6: The density of specialist MSOs in other service areas will have a positive effect on the founding of specialist MSOs.

Data and Methods

Data

In order to investigate the factors in explaining the growth of specialist MSOs, the main dataset that I use here is the NCCS Core financial files, which is the information that tax-exempt nonprofit organizations should submit to IRS annually. The dataset contains annual information of nonprofit organizations, such as their unique Employer Identification Numbers (EIN), financial information (e.g., expenses, incomes, assets, and revenues), locations, founding years, and their mission areas.

The NCCS Core files can be used to calculate the number of nonprofit organizations, yet it should be carefully considered due to missing data problem. Nonprofit organizations must submit tax forms annually but many of them are granted extensions by IRS; they are exempted to fill the forms, so information of those organizations are missing for several years in the data. However, irregular appearance in NCCS panel data does not mean organizational disbanding or

founding. For example, an organization may not file tax in 2003, so its information is not included in 2003 NCCS data. This does not indicate disbanding of this organization in 2003 and they would appear in later years (NCCS, 2006). Thus, additional data processing should take precedence in order for accurate calculation of the annual number of nonprofits. I consider that organizations fail and disband if they do not appear in the dataset for more than three years; otherwise, organizations are considered to be alive during the years when do not fill tax files and they are counting for measuring the density of the sector.

After addressing missing data problem, I counted the number of nonprofit organizations in each year and each Metropolitan Statistics Areas (MSA) level by service areas of nonprofits. In order to distinguish subfields and service areas of nonprofit organizations, I used the National Taxonomy of Exempt Entities Core Code (NTEE-CC). NTEE-CC offers a definitive classification system for charitable entities according to their organizational purposes and targeted service areas (NCCS, 2007). NTEE-CC classification system consists of three levels: major groups, decile level groups, and centile level groups. For example, NTEE-CC of a nonprofit entity can be A34; the first letter represents its major group, which is ‘Art, Culture & Humanities’ in an example. Public charities exist across most of the 26 major groups from A to Z and each letter stands for major service areas of nonprofit organizations, such as Arts (A), Education (B), Environment (C), and etc. The latter two numbers refer to purpose codes representing detailed purpose and mission of organizations (NCCS, 2007).

In order to figure out nonprofit MSOs based on NTEE-CC classification, this research focuses on two NTEE codes, ‘S50’ and the common code ‘02’. Nonprofit organizations having ‘S50’ NTEE-CC code “provide technical assistance for other nonprofit organizations that need management support in areas like board development, facility administration, fiscal administration etc.” (NCCS, 2007) I define these organizations as generalist nonprofit MSOs. In order to identify specialist MSOs, I use NTEE-CC common code, which represent activities of nonprofit organizations commonly across major groups, such as advocacy, professional association, research, and technical assistance. The common code ‘02’ indicates organizations providing “consultation, training, and other forms of management assistance services to nonprofit groups” within each subfield area. For instance, an organization having A02 NTEE-CC code offers management assistance services to other nonprofits only within same major group,

which is Art, Culture & Humanities in this example. By using this common code, I classified specialist MSOs in 26 major subfield areas.

The dataset used in this research has some limitations. First, the NCCS Core files contains information of nonprofits whose gross receipts are over \$25,000, so small nonprofits can be dropped from the analysis. Second, NTEE-CC classification system based on organizational mission and functions may not be able to represent correct information of organizations (DiMaggio et al., 2002). Third, many organizations have missing information in many years because nonprofits can be exempts from filing Form 990. Annual financial information of each generalist MSO is required for measuring market concentration. However, due to missing data, I had to impute financial data for unobservable years of nonprofit MSOs and this can limit the accuracy of the analysis. Despite the limitations of the data, the NCCS dataset still provides exclusive descriptions of the nonprofit sector and it is only available panel data of the sector. Thus, I expect that the meaningful analysis of organizational dynamics of nonprofit MSOs with using the NCCS dataset as this is the first attempt to analyze it.

As a result, I build the dataset about the number of nonprofit MSOs and nonprofit organizations in each service areas from 1989 to 2007 by each MSA. Since this research uses lagged independent variables, the dataset ultimately covers years from 1990 to 2005. In addition, geographic segregation affects the distribution of organizational populations because resource and competition are different across geographic space (Aldrich & Ruef, 2006). Thus, this research collects the data by the MSA level because I assume that nonprofit MSOs compete at the MSA level to serve nonprofit organizations. Among Metropolitan areas, I only include metropolitan areas having more than 250 nonprofit organizations in its area in order to prevent the distortion of results by dropping the areas where do not have enough number of nonprofits for establishing MSOs. Ultimately, the dataset is the longitudinal information about the size of nonprofit MSOs of MSAs from 1990 to 2005.

Nonprofit MSOs are new types of organizations and specialist MSOs especially are not prevalent in the nonprofit sector, so there are many metropolitan areas not having specialist MSOs in some nonprofit service areas. As a result, this research only analyzes 6 nonprofit subfields having enough number of specialist MSOs for the analysis. Those service areas are 1) Education, 2) Health Care, 3) Mental Health & Crisis Intervention, 4) Crime & Legal-related, 5) Human Services, 6) Religion-related.

Variables

A dependent variable of the empirical model is the founding of specialist MSOs. This is measured by binary variable on whether new specialist MSOs are created in each MSA and a given year.

Eight independent variables are included in the analysis for testing the research hypotheses. First, in order to investigate H1 and H2 about competition between generalists and specialists, the density of generalist and Herfindahl–Hirschman Index (HHI) are used for measuring a market concentration of the generalists. HHI is an indicator of the amount of competition and market concentration between firms based on their size. By using annual total revenue of generalist MSOs, I calculate HHI of generalist MSOs in each metropolitan area every year. The density of MSOs is defined as the accumulated number of MSOs.

Second, there are three independent variables are used for measuring competition of specialist MSOs in service provision: 1) the density of the specialists, 2) foundings of the specialists in last three years, 3) disbandings of the specialist in last three years. In this research, specialist MSOs are defined as the MSOs serving a specific nonprofit subfield area, so all variables related to specialist MSOs are measured by each nonprofit service area. Since this research assumes an inverse curvilinear relationship between the founding of specialists and its density in accordance with the density dynamics model in organizational ecology, I include a squared density variable. The binary variable for founding and disbanding for last three years are also included; the founding and disbanding of specialist MSOs are infrequent as nonprofit MSO industries are relatively small, so this research assumes that last three year's events have lingering effects on the founding.

Finally, the number of nonprofit in each subfield, the number of total nonprofit organizations, and the density of other specialists are used for measuring competition for resources. The number of nonprofits means possible resources and clients for MSOs. For example, the number of nonprofits in education can be considered as a resource of specialist MSOs in education field. The number of total nonprofit organizations is also included in order to measure non-overlap resources as well as the growth of nonprofit sector in metropolitan areas. The density of other specialist MSOs in other service areas is also included in this model for measuring non-overlap density.

Models

MSA level panel data from 1990 to 2005 is used for the analysis. In order to control unobservable effects of time and characteristics of geographic locations, this research adopts fixed effect logit model for predicting the probabilities of founding of specialist MSOs. All independent variables are lagged variables.

<Table 1> Research Variables

	Category	Operational definition	Measurement	Hypothesis
Dependent Variables	Founding of Specialist MSOs in year t	Binary variable of founding of specialist MSOs in year t		
Independent Variables	Resource Partitioning between Generalist & Specialist MSOs	Density of generalists	the accumulated number of total nonprofit organizations in year t-1	(-)
		The existence of strong generalists	Herfindahl Index of generalist MSOs in year t-1	(+)
	Competition of Specialist MSOs in Service Provision	Density of specialists	the accumulated number of the specialist MSOs in year t-1	(+)
		Density of specialists squared	the squared accumulated number of the specialist MSOs in year t-1	(-)
		Founding of specialists	Founding of the specialist MSOs established in year t-3 (prior founding for last 3 years)	(+)
		Disbanding of specialists	Disbanding of the specialist MSOs established in year t-3 (prior disbanding for last 3 years)	(+)
		Competition for Resource	Number of nonprofits in subfields	the accumulated number of nonprofit organizations in a major field in year t-1
	Number of total nonprofits		the accumulated number of total nonprofit organizations in year t-1	(+)
	Density of other specialists		the accumulated number of the generalist MSOs in year t-1	(+)

Findings and Discussion

Overview of the nonprofit MSOs

Table 2 presents descriptive statistics of main research variables in the sample of this research. It shows the average density of generalist and specialist MSOs are very low, which indicates small size of nonprofit MSO industry. The number of generalists and specialists per metropolitan area is around 2.7.

<Table 2> Descriptive statistics of variables by metropolitan areas in 2005

	Mean	Std. Dev.	Min	Max
Density of generalist MSOs	2.6877	5.7986	0	53
Density of specialist MSOs	2.8081	6.7930	0	66
Number of total nonprofit organizations	1460.0380	2723.7410	250	27400
The foundings of specialist for last three years	0.2239	0.4170	0	1
The disbanding of specialist for last three years	0.1090	0.3117	0	1

Table 3 shows the distribution of the number of specialist MSOs of the sampled six nonprofit service areas in total 161 metropolitan areas. It also indicates very small size of nonprofit MSOs in each metropolitan area; many metropolitan areas do not have specialist MSOs in specific service areas.

<Table 3> The distribution of specialist MSOs by nonprofit service areas in 2005

Number of specialist MSOs	Education	Health Care	Mental Health & Crisis Intervention	Crime & Legal-related	Human Services	Religion-related	Generalist MSOs
0	128 (79.5%)	120 (74.53%)	136 (84.47%)	111 (68.94%)	129 (80.12%)	130 (80.75%)	53 (32.92%)
1	24 (14.91%)	26 (16.15%)	17 (10.56%)	27 (16.77%)	23 (14.91%)	24 (14.91%)	51 (31.68%)
2	6 (3.73%)	10 (6.21%)	4 (2.48%)	8 (4.97%)	5 (3.11%)	3 (1.86%)	20 (12.42%)
3	2 (1.24%)	3 (1.86%)	1 (0.62%)	7 (4.35%)	1 (0.62%)	2 (1.24%)	8 (4.97%)
4	1 (0.62%)	0 (0%)	1 (0.62%)	2 (1.24%)	1 (0.62%)	1 (0.62%)	6 (3.73%)
5	0 (0%)	1 (0.62%)	1 (0.62%)	2 (1.24%)	1 (0.62%)	0 (0%)	3 (1.86%)
more than 6	0 (0%)	1(0.62%)	1 (0.62%)	4 (2.48%)	1 (0.62%)	1 (0.62%)	20 (12.42%)
Total MSAs	161 (100%)	161 (100%)	161 (100%)	161 (100%)	161 (100%)	161 (100%)	161 (100%)

Table 4 presents the ratio of specialist MSOs, which means the number of specialist MSOs to the number of nonprofits in each subfield. According the table, Crime & Legal-related

area is the nonprofit subfield having the largest number of specialist MSOs, yet it is a very small size of the sector, whose ratio is about 0.02.

<Table 4> Ratio of specialist MSOs of metropolitan areas in 2005

	Num of MSAs	Mean	Std. Dev.	Min	Max
Education	161	0.0014	0.0042	0	0.0241
Health Care	161	0.0056	0.0136	0	0.0909
Mental Health & Crisis Intervention	161	0.0049	0.0159	0	0.1111
Crime & Legal-related	158	0.0204	0.0427	0	0.3333
Human Services	161	0.0014	0.0040	0	0.0233
Religion-related	161	0.0027	0.0083	0	0.0625
Generalist MSOs	161	0.0015	0.0015	0	0.0095

Longitudinal Logit Analysis for Predicting Founding of Specialist MSOs

Before analyzing the determinants of the founding of specialist MSOs by service areas, I firstly analyze the foundings of specialist MSOs in total.

<Table 5> Longitudinal fixed effect logit model for predicting the foundings of specialist MSOs

	Specialist MSOs
Resource Partitioning between Generalist and Specialist MSOs	
Density of generalists	0.8456 * (0.0755)
HHI of generalists	0.5449 (0.2570)
Competition of Specialist MSOs in Service Provision	
Density of specialists	0.5301 *** (0.0588)
Density of specialists squared	0.9956 ** (0.0017)
Foundings (for last three years)	0.8632 (0.2027)
Disbanding (for last three years)	0.7501 (0.2252)
Competition for resources Number of total nonprofits	1.0031 *** (0.0004)
Observations	967

Note: 1) *=p<0.10, **=p<0.05, ***=p<0.01, 2) Coefficients are odd ratio in this table

The result in Table 5 confirms H1, which is that increasing number of generalist MSOs have a negative impact on the founding of specialist MSOs; the result indicates that an additional generalist MSOs decreases the possibilities of having new specialist MSOs about 16%. In addition, instead of confirming an inverse curvilinear effect of the density on the founding, the table of the results indicates that the density significantly and sharply decreases the possibilities of entrance of new MSOs in a market. The finding also reveals that the new entrance of specialist MSOs is positively associated to the number of total nonprofit organizations, which confirms the idea that available resources in a market is a significant factor in increasing of MSOs.

In order to test the research hypotheses more closely, I conduct longitudinal logit analysis by nonprofit service areas. As noted, due to the small size of specialist MSOs in the nonprofit sector, the analysis only includes six nonprofit subfields having enough observations of foundings of specialist MSOs. The results are presented in Table 6. The coefficients of the variables are converted to odd ratio for easy interpretation.

The results of the empirical analysis produce mixed findings about the research hypotheses. First, competition effects between generalists and specialists on the founding of specialist MSOs present mixed effect. For example, the density of generalist MSOs influence differently across the nonprofit service areas. In education service area, the number of generalist MSOs has a positive impact on the entrance of new specialists in a market, while it has a negative impact in crime and legal related service area. The opposite results of two different nonprofit service areas can be caused by the differences in a market share of MSOs. The ratio of specialist MSOs in education field is only 0.0014 (i.e. the number of specialists to the number of education nonprofit organizations), while the ratio is 0.0204 in crime and legal related service area. This indicates that market share of the specialists in crime and legal related service area is already competitive. However, since the evolution of specialists is nascent in education service area, increasing generalist MSOs can be a signal of new possibilities for specialist MSOs by differentiating them from the generalists. Due to this difference, the empirical result of the effect of the density of the generalists on the founding of specialists presents different findings in two different service areas. In addition, high market concentration in a market of generalist MSOs is significantly associated with the founding of specialist MSOs in the analysis, which confirms H2 arguing that concentrated market would facilitate the growth of the specialists.

Second, the findings do not confirm an inverse curvilinear effect of the density on the founding as H3 assumed. On the contrary to H3, the result in human service area shows a curvilinear relationship between the density and the founding of the specialists. This means that the increasing density of specialist MSOs discourages new creation of the specialists, but it ultimately encourages the foundings after a certain point. The different finding from H3 can be caused by the characteristics of the small size and market capacity of the nonprofit MSO industry. As checked in Table 3 and Table 4, the nonprofit MSO market is nascent and very small, so the preoccupied market by the existing specialists significantly decrease the possibilities of new specialist MSOs. The negative sign of the density variable across all service areas also supports this argument. In addition to this, the empirical analysis of this research presents the mixed finding about the effects of previous foundings, so the impact of it is inconclusive as previous studies. However, the disbanding for last three years turns out to have a negative effect on the influx of the new specialists, which means that the failure of organizations can be a signal of exceeded capacity of a market and it thereby discourages nascent entrepreneurs to enter a market.

Lastly, the analytic results point out that the number of potential clients for specialist MSOs has significantly a positive impact on the founding of specialist MSOs. On average, one additional nonprofit organization in a subfield increases the possibilities of having new specialists about 3%. The number of total nonprofit organizations is also positively associated with the founding of the specialists, yet the impact is smaller as H5 assume that the entrance of specialist MSOs is more sensitive to the specific service area that they belong to. Furthermore, in accordance with H6 assuming that high nonoverlap density is a signal of social legitimacy, this research found that the density of specialist MSOs in other service areas is positively associated with the founding of the specialists. Specialist MSOs are new types of management assistance, so it is important to get social acceptance and legitimacy for the development of the sector. The empirical finding presented in Table 6 supports this idea that the existence of specialist MSOs in other service areas leads to establishment of new specialists.

In sum, consistent with resource partitioning and organizational ecology perspectives, this research finds that organizational competition and resource niches are key factors in deciding the growth of the specialist MSOs. According to the empirical analysis, the motivations of avoiding direct competition significantly influence the founding of specialist MSOs because nonprofit MSOs have a very small size and competitive market.

<Table 6> Longitudinal fixed effect Logit model for predicting the foundings of specialist MSOs (Odd ratio) by nonprofit subfields

	Education	Health Care	Mental Health & Crisis Intervention	Crime & Legal- related	Human Services	Religion- related
Resource Partitioning between Generalist and Specialist MSOs						
Density of generalists	1.3402 *	0.8107	1.1670	0.6410 **	0.7703	1.0495
	(0.1999)	(0.1108)	(0.2073)	(0.1350)	(0.1389)	(0.1445)
HHI of generalists	0.2039	0.7813	0.2589	0.3546	217.5455 *	1.6851
	(0.2642)	(0.6991)	(0.3329)	(0.4286)	(681.5396)	(1.8581)
Competition of Specialist MSOs in Service Provision						
Density of specialists	0.2331 *	0.1120 ***	0.0530 *	0.0801 ***	0.0413 ***	0.0873 **
	(0.1739)	(0.0689)	(0.0755)	(0.0591)	(0.0310)	(0.0943)
Density of specialists squared	1.1403	1.0586	0.4212 **	1.0966	1.2375 **	0.9067
	(0.2201)	(0.0663)	(0.1512)	(0.0713)	(0.1150)	(0.1553)
Foundings (for last three years)	0.2245 **	3.4118 *	0.8016	0.6244	1.6384	1.9020
	(0.1526)	(2.1472)	(0.9675)	(0.6106)	(1.0450)	(1.5228)
Disbanding (for last three years)	0.5546	0.4390	0.0000	0.3407	0.0563 **	0.4594
	(0.3941)	(0.3158)	(0.0005)	(0.5698)	(0.0676)	(0.6986)
Competition for Resources						
Number of nonprofits in subfield	1.0186 **	0.9733 *	1.0682	0.9927	1.0477 *	1.0299 ***
	(0.0081)	(0.0136)	(0.0629)	(0.0499)	(0.0262)	(0.0112)
Number of total nonprofits	0.9982	1.0013 ***	1.0010 *	1.0013	0.9964	0.9984
	(0.0012)	(0.0005)	(0.0006)	(0.0010)	(0.0027)	(0.0011)
Density of other specialists	0.8543	0.9093	1.5607	1.3677 **	1.7198 ***	0.9423
	(0.0846)	(0.0949)	(0.2336)	(0.1980)	(0.2656)	(0.1045)
Observations	332	348	242	308	331	336

Note: 1) *=p<0.10, **=p<0.05, ***=p<0.01, 2) Coefficients are odd ratio in this table.

Conclusion

This research aimed to explore the founding patterns of nonprofit MSOs by adopting the resource partitioning and organizational ecology frameworks. Nonprofit MSOs are nonprofits that serve other nonprofit entities through providing various managerial services. I investigated the factors in affecting the growth of MSOs and their forms, which are generalists and specialists. According to the empirical analysis with longitudinal data about the nonprofit sector and MSOs from 1990 to 2005, competition and market concentration as well as market resources are key factors for affecting founding of specialist MSOs. Consistent with organizational ecological theory, this research found that the presence of nonprofits in a particular service area drives the founding of specialists MSOs. Moreover, the density of generalist MSOs had a negative effect on the founding of specialist MSOs if the specialists are located in a highly dense environment. Concentrated markets by generalist MSOs also forced nonprofit MSOs to become specialized organizations by targeting their services in a specific nonprofit service area because it enhances the viability of organizations by avoiding direct competition with generalist MSOs. In addition, it turned out that high competition of specialist MSOs significantly discourages the further influx of new organizations in a market because the size and capacity of the nonprofit MSO markets are very small and limited. In sum, the findings indicated that MSOs benefit from choosing to become specialists since they gain legitimacy by the growth of MSOs while at the same time protecting themselves from direct competition.

Nonprofit MSOs have performed very significant roles in strengthening the capacity of the nonprofit sector by helping nonprofit organizations to be rationalized and professionalized. However, only a few studies have focused on this topic in spite of its importance. Boris (2001) mentioned that researchers should have a responsibility to connect the literature of the nonprofit capacity building to the practices. By building exclusive dataset and empirical model about the growth of nonprofit MSOs, this research contributed to linking the theoretical framework of resource partitioning and organizational ecology with practical view on the capacity building of the nonprofit sector through the MSOs. The results of the analysis imply that the nonprofit MSOs are in a nascent stage, and the efforts to develop them are required as MSOs are effective management tools for straitening the nonprofit sector.

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