RETHINKING LIABILITY OF NEWNESS AS A CATEGORIZATION PROBLEM: INSIGHTS FROM ANTI-TRAFFICKING ORGANIZATIONS (SUMMARY)

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SUMMARY

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Principal Topics

Attracting resources is arguably the ultimate priority for newly founded entities, including those organized with the aim of achieving a social objective (Frumkin, 2002). Obtaining these resources is particularly difficult due to the liability of newness, which must be overcome by establishing legitimacy from potential contributors’ viewpoints, including employees, suppliers, and, either investors. For many social entities, resource providers also include grant-making organizations and donors (Singh, Tucker, & House, 1986). Yet “there has been limited empirical examination of the approaches used by social ventures to mobilize critical resources” (Desa & Basu, 2013). Our study demonstrates that an organization’s ability to attract resources is affected by conformity with an evolving categorization of entities and establishment of moral and pragmatic legitimacy with potential resource providers (Dart, 2004; Miller, Grimes, McMullen & Vogus, 2012).

Method

We use the GuideStar database to identify a population of all 693 non-governmental organizations registered as anti-human trafficking and/or anti-modern day slavery organizations with the U.S. Internal Revenue Service (IRS). To evaluate categorization’s impact on an organization’s funding, we review the organization’s artifacts (Hsu & Hannan, 2005), including mission statements, self-identified categories and Form 990s, to group the population by categories (National Taxonomy of Exempt Entities). Consistent with numerous studies, we use the inverse of firm age based on the reported founding date of each organization to calculate the expected liability of newness. Moral legitimacy is coded based on country and gender served (Agustín, 2003a; Agustín, 2003b; Doezema, 2001), while pragmatic legitimacy is coded based on method of service. Using fixed effects regression, clustered by organization, we predict grant-based and donor-based funding received by anti-trafficking and anti-slavery organizations from 2008 to 2012.

Results and Implications

We find that categorization explains success in attracting financial resources from stakeholders, which has important ramifications for social enterprises. By doing so, we contribute toward understanding “the trade-offs faced by social actors in seeking public approval for their actions from diverse constituencies.” (Rueff & Scott, 1998: 898). Our study has important societal implications because of its unique empirical context and the rapidly growing population of anti-human trafficking organizations.

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