



THE INDIANAPOLIS NONPROFIT SECTOR: MANAGEMENT CAPACITIES AND CHALLENGES

ARTS, CULTURE AND HUMANITIES NONPROFITS

A Preliminary Report Prepared for
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ARTS, CULTURE AND HUMANITIES NONPROFIT SUMMARY

Nonprofit organizations are extraordinarily diverse in their missions, but all must adapt to changing community and policy conditions if they are to survive. Their ability to do so depends on their organizational capacities and the management tools available to them.

Introduction

A statewide survey of 2,148 Indiana nonprofits completed in the spring and early summer of 2002 provides the basis for this report. The survey included charitable, religious, advocacy, and member-serving nonprofits. The responding nonprofits were classified into eight categories based on their mission and primary activity: (1) arts, culture, humanities, (2) education, (3) health, (4) human services, (5) public/society benefit, (6) religion/spiritual development, (7) mutual-benefit, and (8) all other.

This report focuses exclusively on arts, culture and humanities organizations, such as performing arts groups and historical societies, located in the nine-county Indianapolis region. We present preliminary findings on the organizational tools available to the organizations and on the challenges they face in adapting to changing conditions. Due to the small number of respondents in this field, the results should be interpreted with caution.

Management Capacities: Policies and Tools

This section examines the management capacities of Indianapolis area arts and culture nonprofits in terms of the operational policies and technical tools in place. These structures

reveal the ability of nonprofits to recognize, understand, and respond to changing community conditions.

Formal organizational policies

Formal organizational policies are designed to facilitate organizational decision-making. We examine the presence of six such policies and found a great deal of variation in the extent to which Indianapolis region arts and culture nonprofits make use of them. We find widespread use of governance and personnel policies; a lesser use of conflict of interest statements; and major gaps in the use of formal volunteer recruitment and training programs.

- ▶ Formal governance policies and/or by-laws – 88%.
- ▶ Written job descriptions – 87%.
- ▶ Written personnel policies – 71%.
- ▶ Written conflict of interest – 47%.
- ▶ Formal volunteer recruitment programs – 31%.
- ▶ Formal volunteer training programs – 31%.

Reporting Practices

The presence of various types of reporting practices indicates whether organizations routinely take stock of key activities. We find that the majority of the arts and cultural organizations surveyed use annual reports and audited financial statements, however, far less use program outcome or impact assessments.

- ▶ Annual report during past two years – 81%.
- ▶ Recent audited financial statement – 86%.
- ▶ Evaluation or assessment of program outcome or impact during past two years – 51%.

Use of Information and Communications Technology

Information and communications technology allow organizations to monitor their own activities and to track changes in their environment. The Indianapolis region's arts and cultural organizations consistently report a high level of technological capability.

- ▶ Computerized client/member/program records – 78%.
- ▶ Direct internet access for key staff/volunteers – 69%.
- ▶ Computers available for key staff/volunteers – 69%.
- ▶ An email address for the organization – 63%.
- ▶ A web site for the organization – 63%.
- ▶ Computerized financial records – 60%.

Financial Reserves

Dedicated financial reserves for special purposes allow nonprofits to plan major outlays and negotiate the uncertain funding environment under which they must maintain, and hopefully expand, their organizational infrastructures. We find relatively few nonprofits to have certain minimal components of financial planning in place. Arts and culture nonprofits report consistently with this finding in that they have few make use of dedicated financial reserves.

- ▶ Financial reserves for maintenance and equipment – 10%.

- ▶ Financial reserves for capital improvements – 3%.

Management Challenges

This section of the report examines the extent to which the nonprofit managers and executives who completed our survey report that they face challenges (major or minor) in planning their activities or managing key aspects of their operations.

Mission/Planning Challenges

To determine whether Indianapolis area arts and culture nonprofits appear to face challenges in meeting their overall mission, we look at how they assess their own strategic planning capacity and other activities that may indicate planning effectiveness – managing relationships with members or clients and positioning the organization in the external environment. Arts and culture organizations generally found these activities to be at least minor challenges, especially attracting new members, enhancing the visibility of the organization and strategic planning, of which 99 percent reported as at least minor challenges. Meeting the needs and communicating with current members were reported as lesser challenges—nearly half stated that they found these areas not a challenge.

- ▶ Enhancing the visibility or reputation of the organization: a major challenge – 86%.
- ▶ Strategic planning: a major challenge – 37%.
- ▶ Communicating with clients or members: a major challenge – 29%.
- ▶ Attracting new members and clients: a major challenge – 24%.
- ▶ Meeting needs or interests of current clients or members: a major challenge – 16%.
- ▶ Forming and maintaining good relationships with other entities: a major challenge – 14%.

Challenges in Delivering and Assessing Programs or Services

To improve relationships with clients or members, nonprofits must enhance the quality of their programs or services. Few arts and culture organizations found this to be a major challenge. Although, almost 85 percent found evaluating or assessing outcomes or impacts of programs to be at least a minor challenge.

- ▶ Evaluating or assessing outcomes or impacts of programs: a major challenge – 48%.
- ▶ Delivering high quality programs and services: a major challenge – 15%.

Challenges in Managing Human Resources

To undertake strategic planning and deliver effective programs nonprofits need high quality leadership, staff, and volunteers. The responses indicate that the majority of arts and culture nonprofits face at least minor challenges in all areas of human resource management, except when assessing the challenge associated with maintaining effective board members and qualified volunteers. These areas had a large proportion ranking as not a challenge – 68 percent and 55 percent respectively.

- ▶ Recruiting and/or keeping effective board members: a major challenge – 22%.
- ▶ Recruiting and/or keeping qualified and reliable volunteers: a major challenge – 16%.
- ▶ Managing or improving board-staff relations: a major challenge – 9%.
- ▶ Recruiting and/or keeping qualified staff: a major challenge – 3%.
- ▶ Managing human resources (staff and/or volunteers): a major challenge – 3%.

Challenges in Obtaining Funding or Managing Finances

Efforts to improve the quality of programs or to hire and keep qualified staff are inevitably limited by lack of financial resources and (less obviously) threatened by problems in managing finances. All Indianapolis area arts and culture nonprofits find it at least a minor challenge to obtain funding while just over half (54 percent) find managing finances and accounting to be at least a minor challenge.

- ▶ Obtaining funding: a major challenge – 80%.
- ▶ Managing finances and accounting: a major challenge – 7%.

Other Challenges

Finally, we look at challenges associated with the effective use of information technology and with managing facilities. While 93 percent consider the effective use of information technology to be at least a minor challenge, only two-thirds give the same assessment to managing facilities.

- ▶ Managing facilities: a major challenge – 18%
- ▶ Using information technology effectively: a major challenge – 14%

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The full report is available through the "Research Results" link on the project web page www.indiana.edu/~nonprof or www.indiana.edu/~nonprof/results/npsurvey.html.