



THE INDIANAPOLIS NONPROFIT SECTOR: MANAGEMENT CAPACITIES AND CHALLENGES

EDUCATION NONPROFITS

A Preliminary Report Prepared for
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EDUCATION NONPROFITS 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 educational organizations, such as band/athletic boosters and elementary schools, 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 relatively 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 educational 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 the Indianapolis region education nonprofits make use of them. We find widespread use of governance policies and by-laws and written job descriptions, intermediary levels of formal personnel policies and conflict of interest statements, but major gaps in the use of formal volunteer recruitment and training programs.

- ▶ Formal governance policies and/or by-laws – 98%.
- ▶ Written job descriptions – 83%.
- ▶ Written personnel policies – 54%.
- ▶ Written conflict of interest – 30%.
- ▶ Formal volunteer recruitment programs – 1%.
- ▶ Formal volunteer training programs – 0%.

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 educational organizations surveyed use annual reports and audited financial statements, however, far less use program outcome or impact assessments.

- ▶ Annual report during past two years – 79%.
- ▶ Recent audited financial statement – 71%.
- ▶ Evaluation or assessment of program outcome or impact during past two years – 41%.

Use of Information and Communications Technology

Information and communications technology allow organizations to monitor their own activities and to track changes in their environment. Educational organizations, along with health and religion, have among the highest-ranking technological capacities. We find widespread use of information technology for internal operations and for monitoring the environment, but relatively low incidence of using such technology for communicating with external audiences.

- ▶ Computers available for key staff/volunteers – 80%.
- ▶ Computerized financial records – 85%.
- ▶ Computerized client/member/program records – 84%.
- ▶ Direct internet access for key staff/volunteers – 82%.
- ▶ A web site for the organization – 72%.
- ▶ An email address for the organization – 69%.

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. Educational nonprofits report consistently with this finding in that they report a low proportion of use of dedicated financial reserves.

- ▶ Financial reserves for maintenance and equipment – 30%.
- ▶ Financial reserves for capital improvements – 20%.

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 educational 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. There are notable differences in the extent to which these activities present major challenges, although substantial proportions find that they present at least minor challenges.

- ▶ Attracting new members and clients: a major challenge – 74%.
- ▶ Communicating with clients or members: a major challenge – 54%.
- ▶ Enhancing the visibility or reputation of the organization: a major challenge – 34%.
- ▶ Meeting needs or interests of current clients or members: a major challenge – 22%.
- ▶ Strategic planning: a major challenge – 21%.
- ▶ Forming and maintaining good relationships with other entities: a major challenge – 10%.

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 educational organizations found this to be a major challenge, although nearly three-quarters (74 percent) found both areas posed at least minor challenges.

- ▶ Evaluating or assessing outcomes or impacts of programs: a major challenge – 29%.
- ▶ Delivering high quality programs and services: a major challenge – 23%.

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 educational nonprofits face at least minor challenges in all areas of human resource management, except when directly assessing managing human resources of which 54 percent ranked this as not a challenge.

- ▶ Recruiting and/or keeping effective board members: a major challenge – 33%.
- ▶ Recruiting and/or keeping qualified and reliable volunteers: a major challenge – 25%.
- ▶ Managing human resources (staff and/or volunteers): a major challenge – 22%.
- ▶ Recruiting and/or keeping qualified staff: a major challenge – 12%.
- ▶ Managing or improving board-staff relations: a major challenge – 0%.

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 educational nonprofits find it at least a minor challenge to obtain funding, while 64% find managing finances and accounting to be at least a minor challenge.

- ▶ Obtaining funding: a major challenge – 44%.
- ▶ Managing finances and accounting: a major challenge – 21%.

Other Challenges

Finally, we look at challenges associated with the effective use of information technology and with managing facilities. While 74 percent consider the effective use of information technology to be at least a minor challenge, only 32 percent give the same assessment to managing facilities.

- ▶ Using information technology effectively: a major challenge – 20%
- ▶ Managing facilities: a major challenge – 1%

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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.