



# THE INDIANAPOLIS NONPROFIT SECTOR: MANAGEMENT CAPACITIES AND CHALLENGES

## HEALTH NONPROFITS

A Preliminary Report Prepared for  
The Central Indiana Community Foundation

February 2003

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### ***HEALTH 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 health organizations, such as rehabilitative health, mental health, diseases & disorders or medical research organizations, located in the nine-county Indianapolis region. We present 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, the findings should be interpreted with some caution.

## **Management Capacities: Policies and Tools**

This section examines the management capacities of Indianapolis area health 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 health nonprofits make use of them. All health nonprofits surveyed reported use of governance policies and by-laws. The majority use written job descriptions, formal personnel policies and conflict of interest statements. However, there are major gaps in the use of volunteer recruitment and training programs.

- ▶ Formal governance policies and/or by-laws – 100%.
- ▶ Written job descriptions – 61%.
- ▶ Written personnel policies – 61%.
- ▶ Written conflict of interest – 60%.
- ▶ Formal volunteer training programs – 11%.
- ▶ Formal volunteer recruitment programs – 7%.

### **Reporting Practices**

The presence of various types of reporting practices indicates whether organizations routinely take stock of key activities. As with most nonprofit fields, health nonprofits report widespread use of annual reports and audited financial statements. Unlike the other fields, the majority of health nonprofits also report the use of program outcome or impact assessments.

- ▶ Annual report during past two years – 94%.
- ▶ Recent audited financial statement – 72%.
- ▶ Evaluation or assessment of program outcome or impact during past two years – 57%.

### **Use of Information and Communications Technology**

Information and communications technology allow organizations to monitor their own activities and to track changes in their environment. Health organizations have the highest-ranking technological capacities of all the fields with the one exception of web sites usage. Only arts and culture organizations have a higher reported use of web sites for their organizations.

- ▶ Computerized financial records – 96%.
- ▶ Computerized client/member/program records – 96%.
- ▶ Direct internet access for key staff/volunteers – 96%.
- ▶ An email address for the organization – 95%.
- ▶ Computers available for key staff/volunteers – 84%.
- ▶ A web site for the organization – 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. Health nonprofits report the very lowest use of financial reserves when compared to the rest of the nonprofit fields.

- ▶ Financial reserves for maintenance and equipment – 2%.
- ▶ Financial reserves for capital improvements – 1%.

## **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 health 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. Health organizations generally found these activities to be minor challenges, with the exception of enhancing the visibility of the organization and attracting new members or clients, which a larger number list as major challenges. Eighty-three percent of health organizations report facing at least minor challenges in this area.

- ▶ Enhancing the visibility or reputation of the organization: a major challenge – 76%.
- ▶ Attracting new members and clients: a major challenge – 54%.
- ▶ Meeting needs or interests of current clients or members: a major challenge – 29%.
- ▶ Communicating with clients or members: a major challenge – 27%.
- ▶ Strategic planning: a major challenge – 26%.
- ▶ Forming and maintaining good relationships with other entities: a major challenge – 0%.

### **Challenges in Delivering and Assessing Programs or Services**

To improve relationships with clients or members, nonprofits must enhance the quality of their programs or service. Almost all (86 percent) health organizations found evaluating or assessing outcomes or impacts of programs to be at least a minor challenge. Delivering high quality programs and services posed at least a minor challenge to three quarters (75 percent) of the organizations responding.

- ▶ Evaluating or assessing outcomes or impacts of programs: a major challenge – 51%.
- ▶ Delivering high quality programs and services: a major challenge – 33%.

### **Challenges in Managing Human Resources**

To undertake strategic planning and deliver effective programs nonprofits need high quality leadership, staff, and volunteers. 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.

- ▶ Recruiting and/or keeping effective board members: a major challenge – 48%.
- ▶ Recruiting and/or keeping qualified and reliable volunteers: a major challenge – 44%.
- ▶ Managing human resources (staff and/or volunteers): a major challenge – 5%.
- ▶ Recruiting and/or keeping qualified staff: a major challenge – 3%.
- ▶ 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. Nearly all (99 percent) Indianapolis area health nonprofits find it to be at least a minor challenge to obtain funding and 77 percent report the same for managing finances and accounting.

- ▶ Obtaining funding: a major challenge – 73%.
- ▶ Managing finances and accounting: a major challenge – 1%.

## **Other Challenges**

Finally, we look at challenges associated with the effective use of information technology and with managing facilities. A smaller proportion of health organizations report challenges in this area than nonprofits from other fields. While 63 percent consider the effective use of information technology to be at least a minor challenge, only 20 percent give the same assessment to managing facilities. The entire Indianapolis region nonprofit sector reports 78 percent and 49 percent respectively.

- ▶ Using information technology effectively: a major challenge – 31%
- ▶ Managing facilities: a major challenge – 0%

## **Acknowledgements**

We express our deep-felt gratitude to the many Indiana nonprofits that completed our survey. Without their cooperation, we would have nothing to report. We are also grateful to the Center on Philanthropy at Indiana University for its major financial support of the survey of Indiana nonprofits on which this analysis is based and to the Aspen Institute's Nonprofit Sector Research Fund and the Central Indiana Community Foundation (through its support of the Efroymsen Chair in Philanthropy) for support of survey follow-up, data analysis, and dissemination efforts. Additional funding and in-kind support has been provided by WBH Evansville, Inc.; The Center for Urban Policy and the Environment at I.U.P.U.I.; the School of Public and Environmental Affairs at Indiana University on the Bloomington, Indianapolis, South Bend, Northwest, and Fort Wayne campuses; Ball State University; and the University of Southern Indiana.

The survey instrument is based on key concepts developed by the Donors Forum of Chicago. Laurie Paarlberg did much of the initial work in developing the survey instrument and we received much valuable feedback on several versions of the instrument from a large number of individuals. We also acknowledge the work by Ange Cahoon, Amy Horst, Hun Myoung Park, Allison Leeuw, Julie Schaefer, and Erin Nave in carrying out a variety of follow-up tasks to the survey and by the Center for Survey Research at Indiana University for managing the survey process itself. The support and efforts of all of these strengthened this work enormously and we are grateful to them all. Of course, any remaining problems remain our responsibilities entirely.

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