



THE INDIANAPOLIS NONPROFIT SECTOR: MANAGEMENT CAPACITIES AND CHALLENGES

HUMAN SERVICES NONPROFITS

A Preliminary Report Prepared for
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HUMAN SERVICES 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 human services organizations, such as social services, legal, employment, food, housing, public safety, recreation or youth development organizations, 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.

Management Capacities: Policies and Tools

This section examines the management capacities of Indianapolis area human services 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 human services nonprofits make use of them. We find widespread use of governance policies and by-laws, writing job descriptions and personnel policies; intermediary levels of use of conflict of interest statements; but major gaps in the use of formal volunteer recruitment and training programs.

- ▶ Formal governance policies and/or by-laws – 91%.
- ▶ Written job descriptions – 77%.
- ▶ Written personnel policies – 68%.
- ▶ Written conflict of interest – 39%.
- ▶ Formal volunteer training programs – 21%.
- ▶ Formal volunteer recruitment programs – 16%.

Reporting Practices

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

- ▶ Recent audited financial statement – 69%.
- ▶ Annual report during past two years – 62%.
- ▶ Evaluation or assessment of program outcome or impact during past two years – 36%.

Use of Information and Communications Technology

Information and communications technology allow organizations to monitor their own activities and to track changes in their environment. Human service organizations report a majority use of information technology for monitoring the environment and for internal activities; and a lower incidence of using such technology for communicating with external audiences.

- ▶ Computers available for key staff/volunteers – 73%.
- ▶ Direct internet access for key staff/volunteers – 67%.
- ▶ Computerized financial records – 63%.
- ▶ Computerized client/member/program records – 60%.
- ▶ An email address for the organization – 58%.
- ▶ A web site for the organization – 37%.

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. Human service nonprofits fit this finding in that they have a very low percentage of use of dedicated financial reserves.

- ▶ Financial reserves for maintenance and equipment – 47%.
- ▶ Financial reserves for capital improvements – 28%.

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 human service 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 a substantial percent find all these areas to be at least minor challenges.

- ▶ Attracting new members and clients: a major challenge – 51%.
- ▶ Enhancing the visibility or reputation of the organization: a major challenge – 44%.
- ▶ Meeting needs or interests of current clients or members: a major challenge – 40%.
- ▶ Strategic planning: a major challenge – 35%.
- ▶ Communicating with clients or members: a major challenge – 25%.
- ▶ Forming and maintaining good relationships with other entities: a major challenge – 24%.

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. The majority of human service nonprofits found this area posed at least a minor challenge.

- ▶ Delivering high quality programs and services: a major challenge – 47%.
- ▶ Evaluating or assessing outcomes or impacts of programs: a major challenge – 27%.

Challenges in Managing Human Resources

To undertake strategic planning and deliver effective programs nonprofits need high quality leadership, staff, and volunteers. About 57 percent report facing at least minor challenges in managing some aspect of human resources and substantial segments face major challenges especially in the area of board and staff recruitment and retention.

- ▶ Recruiting and/or keeping effective board members: a major challenge – 55%
- ▶ Recruiting and/or keeping qualified staff: a major challenge – 45%
- ▶ Recruiting and/or keeping qualified and reliable volunteers: a major challenge – 38%
- ▶ Managing human resources (staff and/or volunteers): a major challenge – 29%

- ▶ Managing or improving board-staff relations: a major challenge – 12%.

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. Almost all (88 percent) Indianapolis area nonprofits find it at least a minor challenge to obtain funding, while less than half (43 percent) say it is no challenge at all to manage their finances.

- ▶ Obtaining funding: a major challenge – 76%.
- ▶ Managing finances and accounting: a major challenge – 20%.

Other Challenges

Finally, we look at challenges associated with the effective use of information technology and with managing facilities. While 70 percent consider the effective use of information technology to be at least a minor challenge, only 52 percent give the same assessment to managing facilities.

- ▶ Managing facilities: a major challenge – 33%
- ▶ Using information technology effectively: a major challenge – 19%

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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.