



THE INDIANAPOLIS NONPROFIT SECTOR: MANAGEMENT CAPACITIES AND CHALLENGES

MUTUAL-BENEFIT NONPROFITS

A Preliminary Report Prepared for
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MUTUAL-BENEFIT 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 capacity 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 mutual-benefit organizations (membership associations) such as cooperatives, fraternal societies or cemeteries, 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, findings should be interpreted with caution.

Management Capacities: Policies and Tools

This section examines the management capacities of Indianapolis mutual-benefit 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 mutual-benefit nonprofits make use of them. The majority of mutual-benefit organizations use governance policies and by-laws and written job descriptions. There are major gaps in the use of formal personnel policies, conflict of interest statements and formal volunteer recruitment programs; and almost no use of formal volunteer training programs in mutual-benefit organizations.

- ▶ Formal governance policies and/or by-laws – 72%.
- ▶ Written job descriptions – 65%.
- ▶ Written personnel policies – 31%.
- ▶ Written conflict of interest – 31%.
- ▶ Formal volunteer recruitment programs – 31%.
- ▶ Formal volunteer training programs – 1%.

Reporting Practices

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

- ▶ Annual report during past two years – 100%.
- ▶ Recent audited financial statement – 100%.
- ▶ Evaluation or assessment of program outcome or impact during past two years – 31%.

Use of Information and Communications Technology

Information and communications technology allow organizations to monitor their own activities and to track changes in their environment. Mutual-benefit nonprofits along with public/society benefit nonprofits have the lowest-ranking technological capacities. The Indianapolis region's mutual benefit organizations have a low incidence of using information technology for internal operations, monitoring the environment, or communicating with external audiences.

- ▶ Computers available for key staff/volunteers – 43%.
- ▶ Computerized financial records – 40%.
- ▶ Computerized client/member/program records – 40%.
- ▶ Direct internet access for key staff/volunteers – 36%.
- ▶ An email address for the organization – 36%.
- ▶ A web site for the organization – 32%.

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. Mutual-benefit nonprofits have a greater use of financial reserves for maintenance and equipment than other types of nonprofits and are consistent with their use of financial reserves for capital improvements with the rest of the sector.

- ▶ Financial reserves for maintenance and equipment – 61%.

- ▶ Financial reserves for capital improvements – 30%.

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 mutual-benefit 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. Mutual-benefit organizations generally found these activities to be minor challenges, with the exception of attracting new and meeting the needs or interests of current members or clients, which a larger number list as major challenges. Strategic planning and communicating with clients or members have the greatest percentage stating that they found these areas to be not a challenge.

- ▶ Meeting needs or interests of current clients or members: a major challenge – 51%.
- ▶ Attracting new members and clients: a major challenge – 40%.
- ▶ Enhancing the visibility or reputation of the organization: a major challenge – 8%.
- ▶ Strategic planning: a major challenge – 7%.
- ▶ Communicating with clients or members: a major challenge – 1%.
- ▶ Forming and maintaining good relationships with other entities: a major challenge – 1%.

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. Few mutual-benefit organizations found this to be a major challenge. Although, almost all mutual-benefit organizations found evaluating or assessing outcomes or impacts of programs to be a minor challenge. Delivering high quality programs and services showed a split, with 46 percent finding it to be a minor challenge and 53 percent finding it no challenge at all.

- ▶ Delivering high quality programs and services: a major challenge – 1%.
- ▶ Evaluating or assessing outcomes or impacts of programs: a major challenge – 1%.

Challenges in Managing Human Resources

To undertake strategic planning and deliver effective programs nonprofits need high quality leadership, staff, and volunteers. All mutual-benefit nonprofits report recruiting both volunteers and staff to be a major challenge. All responses indicate that mutual-benefit nonprofits face at least minor challenges in the other areas of human resource management, except for recruiting effective board members of which 46 percent ranked this as not a challenge.

- ▶ Recruiting and/or keeping qualified and reliable volunteers: a major challenge – 100%
- ▶ Recruiting and/or keeping qualified staff: a major challenge – 100%
- ▶ Managing human resources (staff and/or volunteers): a major challenge – 49%
- ▶ Recruiting and/or keeping effective board members: a major challenge – 7%.
- ▶ 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 mutual-benefit nonprofits find it a major challenge to obtain funding and 99 percent find managing finances and accounting to be at least a minor challenge. Mutual-benefit organizations rank both of these dimensions higher than the other nonprofit fields.

- ▶ Obtaining funding: a major challenge – 100%.
- ▶ Managing finances and accounting: a major challenge – 46%.

Other Challenges

Finally, we look at challenges associated with the effective use of information technology and with managing facilities. While 98 percent consider the effective use of information technology to be at least a minor challenge, only 53 percent give the same assessment to managing facilities.

- ▶ Using information technology effectively: a major challenge – 14%
- ▶ Managing facilities: a major challenge – 7%

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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.