



# **THE INDIANAPOLIS NONPROFIT SECTOR: MANAGEMENT CAPACITIES AND CHALLENGES**

## **PUBLIC & SOCIETY BENEFIT NONPROFITS**

A Preliminary Report Prepared for  
The Central Indiana Community Foundation

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### ***PUBLIC/SOCIETY 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 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 public/society benefit organizations, such as civil rights, community improvement, philanthropy, or research organizations, located in the nine-county Indianapolis region. We present preliminary findings on the organizational tools available to the organizations and challenges they face in adapting to changing conditions.

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

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

- ▶ Formal governance policies and/or by-laws – 84%.
- ▶ Written job descriptions – 51%.
- ▶ Written conflict of interest – 45%.
- ▶ Written personnel policies – 37%.
- ▶ Formal volunteer recruitment programs – 12%.
- ▶ Formal volunteer training programs – 5%.

### **Reporting Practices**

The presence of various types of reporting practices indicates whether organizations routinely take stock of key activities. For public-benefit nonprofits, we find a widespread use of audited financial statements; a majority uses annual reports; and far less use of program outcome or impact assessments.

- ▶ Recent audited financial statement – 73%.
- ▶ Annual report during past two years – 63%.
- ▶ Evaluation or assessment of program outcome or impact during past two years – 39%.

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

Information and communications technology allow organizations to monitor their own activities and to track changes in their environment. Public-benefit organizations report widespread use of information technology for monitoring the environment and for internal activities, but relatively low incidence of using such technology for communicating with external audiences. Along with mutual-benefit organizations, public-benefit nonprofits have among the lowest-ranking technological capacities.

- ▶ Computerized client/member/program records – 72%.
- ▶ Computerized financial records – 68%.
- ▶ Computers available for key staff/volunteers – 67%.
- ▶ Direct internet access for key staff/volunteers – 62%.
- ▶ A web site for the organization – 51%.
- ▶ An email address for the organization – 49%.

### **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. Public-benefit nonprofits fit this finding—reporting a low use of dedicated financial reserves.

- ▶ Financial reserves for maintenance and equipment – 41%.
- ▶ Financial reserves for capital improvements – 32%.

## **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 public 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. 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. At the extreme ends are meeting needs of current members of which 96 percent report to be at least a minor challenge; and forming and maintaining relationships with other entities of which only 38 percent report as presenting at least a minor challenge.

- ▶ Meeting needs or interests of current clients or members: a major challenge – 53%.
- ▶ Attracting new members and clients: a major challenge – 50%.
- ▶ Communicating with clients or members: a major challenge – 34%.
- ▶ Enhancing the visibility or reputation of the organization: a major challenge – 29%.
- ▶ Strategic planning: a major challenge – 22%.
- ▶ Forming and maintaining good relationships with other entities: a major challenge – 12%.

### **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 public-benefit nonprofits found this area posed a minor challenge.

- ▶ Evaluating or assessing outcomes or impacts of programs: a major challenge – 40%.
- ▶ Delivering high quality programs and services: a major challenge – 31%.

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

To undertake strategic planning and deliver effective programs nonprofits need high quality leadership, staff, and volunteers. About 55 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 volunteer management.

- ▶ Recruiting and/or keeping qualified and reliable volunteers: a major challenge – 52%
- ▶ Recruiting and/or keeping effective board members: a major challenge – 40%
- ▶ Recruiting and/or keeping qualified staff: a major challenge – 26%
- ▶ Managing human resources (staff and/or volunteers): a major challenge – 24%
- ▶ Managing or improving board-staff relations: a major challenge – 8%.

## **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. While nearly 90 percent of nonprofits reported obtaining funding as posing at least a minor challenge, only 76 percent of public-benefit nonprofits reported the same—making them the lowest-ranking among the nonprofit fields in this area. Public-benefit nonprofits reported similar rankings as the rest of the nonprofit fields on managing finances and accounting.

- ▶ Obtaining funding: a major challenge – 32%.
- ▶ Managing finances and accounting: a major challenge – 8%.

## **Other Challenges**

Finally, we look at challenges associated with the effective use of information technology and with managing facilities. While 77 percent consider the effective use of information technology to be at least a minor challenge, only 44 percent give the same assessment to managing facilities.

- ▶ Using information technology effectively: a major challenge – 19%
- ▶ Managing facilities: a major challenge – 4%

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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).