

**ASSESSING MANAGEMENT CAPACITY  
IN WASHTENAW COUNTY NONPROFIT ORGANIZATIONS**

Final Report

to the

Nonprofit Capacity Building Advisory Committee of the Sponsors:  
Ann Arbor Area Community Foundation and Washtenaw United Way

by

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August 31, 2000

# **Assessing Management Capacity In Washtenaw County Nonprofit Organizations**

## **EXECUTIVE SUMMARY**

The capacity of nonprofit organizations to meet their mission and the needs of the community at large are pressing topics of concern among funders, oversight bodies, researchers, and the public. Today's outcry for accountability for performance is explained, in part, by the increase in demand for services from nonprofit organizations, some high visibility management failures, competition between nonprofit entities and commercial businesses, and the increased sophistication of donors and oversight bodies. Fortunately, this call for greater accountability comes at a time when training and resources for improving management skills and capacity are more accessible than ever due to the Internet, nonprofit consultants, and management support organizations.

Sharing those concerns, this study was commissioned by the Washtenaw United Way and Ann Arbor Area Community Foundation to assess the current and future management needs of Washtenaw County nonprofit organizations and their management and programmatic strengths. Their ultimate goal was to collect information that will help nonprofits work more productively, locate resources efficiently, and foster strategic sharing and networking. The study surveyed 103 executive directors and 48 board members and asked them how well they are doing across a set of management tasks, which skills they consider priorities, how they develop or procure those skills, how satisfied they are with the management training they have utilized, and in which areas they have collaborated with other agencies or would consider doing so. Data were collected both through CAPI (computer assisted personal interview) technology, phone interviews, and focus groups. We collected descriptive information about the sample, constructed a census of Washtenaw County IRC Sec. 501c(3) organizations, and explored other resources and tools for improving management capacity that may be effective in helping local nonprofit organizations and funders.

### **Performance Ratings of Management Skills**

- ❑ Overall, nonprofits give themselves a "B" average on management functioning.
- ❑ Compliance with nonprofit laws was the highest rated and only skill to receive an A-
- ❑ Accounting, financial reporting, compliance with labor law are, on average, rated as B+
- ❑ Board training is the lowest rated management function with a C-
- ❑ Other areas receiving the lowest ratings include: marketing, managing staff benefits, fundraising and development, connectivity to computer networks, board recruitment, and strategic planning.
- ❑ Board member assessments were very consistent with those of executive directors, but slightly higher in governance skills, such as strategic planning, and lower in adequacy of computer hardware and software.

## **Priorities for Improving Management Skills**

- ❑ In rank order, executive directors' priorities for improvement are: (1) fundraising and development, (2) public relations, (3) marketing, (4) assessing program outcomes, (5) strategic planning, (6) managing information/data, (7) board recruitment, (8) recruiting volunteers, (9) staff training, and (10) budgeting.
- ❑ Board members also ranked fundraising and development as their #1 priority followed by marketing, strategic planning, and public relations.

## **Training**

- ❑ 80% of the executive directors reported that someone attended formal training in the prior year.
- ❑ Only 48% of the nonprofit organizations had a training budget.
- ❑ The most useful format for training were programs that lasted for more than one day (favored by 45% of the respondents), compared to only 18% who found half-day sessions to be most useful.
- ❑ Topics covered in the most useful training in the past year included: program evaluation and industry specific knowledge, public relations, fundraising, marketing, assessing community needs, strategic planning, and outcomes assessment.
- ❑ Only 12.5% of board members report any formal training (outside the agency) for their jobs; 40% report being mentored by another board member.
- ❑ Executive directors' lowest performance rating went to "board training", consistent with board members who rated it a C (third lowest).

## **Other Resources for Improving Management Skills**

- ❑ The use of the Internet as a management resource has outstripped the use of libraries. 84% of the directors reported using the Internet versus 54% using the library to find information, build new skills, and gain knowledge and expertise.
- ❑ The number one use of both libraries and the Internet is in the area of fundraising with nearly identical percentages using these resources (52% and 50% respectively).
- ❑ The Internet is preferred over the library in terms of particular topics; e.g., strategic planning, community needs, public relations and marketing. The library is used for more "internal" oriented topics, and the Internet for more "external" oriented topics.
- ❑ Use of the Internet versus non-use was the one variable significantly and positively correlated with differences in the performance ratings by executive directors.
- ❑ Nonprofits purchased professional services (in addition to auditors and insurance agents) to extend and supplement their internal management capacity. 38% paid attorneys during the prior year, and 38% used other paid consultants.
- ❑ Board members are important sources of professional expertise for nonprofits. 74% of nonprofits used the professional services of board members in the prior year with 157 mentions of use, or 2.1 engagements/uses per organization for those who reported employing them in this way. Board members provided professional services in a variety of areas, but 86% of engagements were for accounting, legal, marketing, and program development.

## **Collaboration**

- ❑ Service delivery is the most common area of collaboration with 44% of the nonprofits having collaborated sometime in the past.
- ❑ Collaboration in areas of management is much less common. The most frequently mentioned areas of management collaboration are: community needs assessment (30%), public relations (21%), and marketing (20%).
- ❑ 82% of those who collaborated on service delivery were satisfied or very satisfied with those collaborations.
- ❑ The level of satisfaction in the three most common areas of management collaborations ranged from 68% to 76%.
- ❑ At the most, 49% of the executive directors indicated an interest in collaboration in some particular area of management, e.g., community needs, followed closely by fundraising (46%) and then dropping to 35% for public relations, 34% for marketing, and 24% for facilities.
- ❑ Board members expressed more interest than executive directors in collaborating in 23 of 25 management functions.

## **Resources and Tools for Improving Nonprofit Management Skills**

There is an abundance of management resources to assist nonprofit directors and boards to build their capacity to meet the organization's mission. More than 20 Michigan and 80 national nonprofit organizations support the nonprofit community in developing its management capacity in some way—they have websites, link to books and training, compile frequently asked questions, post job opportunities, list consultants, and sponsor workshops and conferences. Many include organizational self-assessment tools that aide managers in identifying their strengths and needs. Watchdog groups, such as Guidestar, make financial information available and rate organizations with respect to “best industry practices” so that donors have useful information upon which to make their charitable investment decisions. The difficulty is that managers need some mechanism (e.g., networking with colleagues, a portal, or community listserv) to sort through, evaluate, and match these resources to their specific needs

## **Recommendations for funding organizations**

1. Fund administrative capacity building, as well as programs and service delivery.
2. Support agency development of human resource plans for core competencies needed for managing nonprofit organizations.
3. Facilitate board member recruitment and expand the pool of board members.
4. Support board training (both on general responsibilities and specialized topics).
5. Invest in computer and Internet connectivity for just-in-time delivery of information and skills.

6. Provide support for longer training programs for agency directors (e.g., an overnight retreat in a local setting) so they have time to reflect, plan, and network with colleagues.
7. Support a local management support center that maintains a census of local nonprofit agencies, targets specialized training to develop management competencies, and serves as a gateway to Internet management resources.
8. Support collaboration efforts with training and consultation so that goals are clear, management functions with the highest probability of impact are targeted, and measurable outcomes are identified.
9. Support a “nonprofit service bureau” that brings specialized professionals together with nonprofit managers and board members.

Rationale for these recommendations is provided in the full report. Participants provided valuable information that should help funders determine what nonprofit organizations in the County need to help them accomplish their missions.

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# **ASSESSING MANAGEMENT CAPACITY IN WASHTENAW COUNTY NONPROFIT ORGANIZATIONS**

## **I. PURPOSE OF THE STUDY**

The capacity of nonprofit organizations to meet their mission and the needs of the community at large are pressing topics of concern among funders, oversight bodies, researchers, and the public. Today's outcry for accountability for performance is explained, in part, by the increase in demand for services from nonprofit organizations, some high visibility management failures, competition between nonprofit entities and commercial businesses, and the increased sophistication of donors and oversight bodies. Fortunately, this call for greater accountability for the assets entrusted to nonprofit managers and board members comes at a time when training and resources for improving management skills and capacity are more accessible than ever due to the Internet, nonprofit consultants, and management support organizations. Sharing those concerns, this study was commissioned by the Washtenaw United Way and Ann Arbor Area Community Foundation.

The purpose of this study is to determine the management strengths and needs of nonprofit organizations, collectively, in Washtenaw County. We surveyed both board members and executive directors of nonprofit organizations and asked how well they are doing across a set of management tasks, which skills they consider priorities, how they develop or procure those skills, how satisfied they are with the management training they have utilized, and in which areas they have collaborated with other agencies or would consider doing so. The answers to these questions may help nonprofit managers and board members assess their own strengths and develop systematic plans for improving capacity. Participants provided valuable information that should help the funders determine what nonprofit organizations in the County need to help them accomplish their missions. Towards this end, we also explore other resources and tools of improving management capacity that may be effective in helping local nonprofit organizations and funders. In this study our working definition of "management capacity" is the ability to accomplish the mission of the organization. We use the term "management" broadly to include all aspects of running the organizations: governance, external relations, financial management, information and technology, human resources, and program management.

## II. METHODOLOGY

We compiled a census of the Washtenaw County nonprofit population and derived contact information for the target sample. We then surveyed both executive directors and board members for each sample organization using computer aided personal interview (CAPI) technology. We conducted six focus groups with 35 different nonprofit executive directors, discussed progress with the sponsors in three update presentations, analyzed survey responses, and catalogued local and national resources for developing management skills. These steps are described in more detail in Appendix 1.

**Census and Sample.** The nonprofit sector is comprised of a diverse set of organizations that can be classified in many ways: by their mission, tax-exempt status, size, source of revenue, among other descriptive factors. It is critical to understand the number and nature of organizations in each category so that researchers can draw representative samples to make inferences about the larger population; trainers can develop effective programs to serve each market's needs; and the organizations themselves can network with similar organizations. If these tasks are done well, each organization is better able to accomplish its mission, and the capacity for the entire nonprofit sector to meet broader community goals is increased.

For this study, the sponsors were interested in all Internal Revenue Code Sec. 501c(3) organizations in Washtenaw County. This category encompasses organizations that receive their nonprofit corporate identity from a state, and then exemption from federal income taxes from the Internal Revenue Service. Organizations exempt under subsection "c(3)" are either a public charity that operates educational, scientific, or charitable programs or a private foundation that makes grants to those public charities. The difficulty in compiling any list of these organizations is that federal and state records do not always agree, small organizations may not have to publicly disclose information, and many organizations are inactive, yet not formally dissolved. We classify the IRC Sec. 501c(3) population of Washtenaw County in Table 1.

**Table 1**  
**Census of IRC Sec. 501c(3) Organizations in Washtenaw County**

Public charities operating programs (e.g., human service, arts, educational)	644
Private foundations (6 operating, 78 nonoperating)	84
University fund-raising/alumni organizations	11
Private schools	25
PTA/PTO/Booster Clubs	21
Faith-based organizations and churches	<u>65</u>
Total	<u>850</u>

A directory listing the organizations in each of these categories was compiled by searching the IRS' Master List of tax-exempt organizations <http://www.irs.ustreas.gov/prod/bus-info/eo/eosearch.html> for all exempt organizations in these Washtenaw County cities: Ann Arbor; Chelsea; Dexter; Manchester; Milan; Saline; Salem; Whitmore Lake; Willis; Ypsilanti.<sup>1</sup> We refined the list by removing organizations dissolved according to the State of Michigan records, as well as cemetery organizations and other exempt organizations that are not Sec. 501c(3)s. This database of nonprofit organizations in the County can be improved by using the classification codes of the National Taxonomy of Exempt Entities (NTEE), soon to be required on annual reporting forms.<sup>2</sup>

The sample for this study was built on the database of 407 entities used by Nonprofit Enterprise at Work (NEW), Inc. for a study of compensation issues (2000). The NEW study included Washtenaw County nonprofit organizations exempt under IRC Sec. 501c(3) with paid staff, but excluding private foundations, private schools, churches, professional organizations and societies, libraries, and service organizations. The study focused on health and human service, arts and cultural, environmental, and advocacy organizations. Considerable effort was spent checking addresses and identifying names and addresses of executive directors and board presidents. We culled out organizations that were dissolved by examining the nonprofit corporation database at the State of Michigan's Corporation Division in the Department of

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<sup>1</sup> Based on IRS Pub. 78 that lists organizations eligible for charitable income tax deductions.

<sup>2</sup> The National Taxonomy of Exempt Entities (NTEE) scheme fits into the North American Industry Classification System (NAICS) that replaced Standard Industrial Classification (SIC) codes in 1999. See <http://www.nccs.urban.org/ntee-cc/index.htm>

Consumer and Industry Services.<sup>3</sup> We also examined Guidestar’s website <http://www.guidestar.org>, the National Center for Charitable Statistics at <http://www.nccs.urban.org/990>, and Comnet at <http://www.comnet.org>, as well as the Washtenaw Nonprofit Resource Directory (2<sup>nd</sup> edition, 1997) for more information. Table 2 describes the sample of 337 organizations targeted for this study.

**Table 2**  
**Sample**

NEW Compensation Study	407
Excluding:	
Private foundations (5 operating and 5 nonoperating)	10
Organizations that are not 501c(3); e.g., civic and business leagues, social clubs, coops	7
Governmental programs of a city, county, township, public school, or university	10
Private schools and nurseries	5
Duplicate names	4
Organizations that are dissolved, inactive, or not on the state database	<u>40</u>
	331
Including:	
Organizations added to the NEW study by the sponsors (from IRS Pub. 78)	<u>6</u>
<b>Target Sample of Washtenaw County IRC Sec. 501(c)(3) organizations</b>	<b><u>337</u></b>
Target sample	337
Did not respond to survey	<u>234</u>
<b>Responded to the Executive Directors’ survey (31%)</b>	<b><u>103</u></b>
Target Sample	337
Did not respond to survey	<u>289</u>
<b>Responded to the Board Member’ survey (14%)</b>	<b><u>48</u></b>

Of the 337 targeted organizations, 97 were unreachable either because they were no longer in existence, had no working phone number, or a questionable address. These “hard-to-reach organizations” may be very small or no longer active. Our response rate based on the 240 “accessible” organizations (337-97) was **43% for the executive directors’** survey (103/240) and survey **20% for the board members’** (48/240). In all, 135 different organizations are represented in the sample.

<sup>3</sup> Corporation Division, Corporation and Land Development Bureau, Department of Consumer and Industry Services, State of Michigan in Suite 3, 546 Mercantile Way, Lansing, MI.

**Survey Instruments.** A survey instrument was designed with input from participants in three focus groups and after examining several examples of similar questionnaires; for example, Detroit Accounting Aid Society’s Organizational Self-Assessment Checklist, Nonprofit Enterprise at Work 1996 Washtenaw Nonprofit Survey, Center for Nonprofit Knowhow, Management Assistance Survey of a set of west Florida nonprofit associations, Grand Rapids’ Direction Center’s survey. Two different surveys were created: one for executive directors and one for board members. Surveys were created using Computer Aided Personal Interview (CAPI) software. The survey took between 15 and 45 minutes to complete. Participants could choose to be interviewed by phone or complete a paper survey rather than the computerized version. The methodology is described in more detail in Appendix 1.

**Six Dimensions of Management Skills.** Twenty-seven management skills are classified across six dimensions, as shown in Table 3. The skill codes that will be used throughout this report are based on the first letter of each dimension: G, E, F, T, H, P.

**Table 3  
Management Skills**

<b><u>G</u>overnance (3)</b>	Strategic planning; board training, board recruitment
<b><u>E</u>xternal Relations (3)</b>	Fundraising and development; marketing; public relations
<b><u>F</u>inancial Management (6)</b>	Budgeting; compliance with nonprofit law; managing facilities and equipment; accounting; financial reporting; understanding the audit
<b><u>T</u>echnology (4)</b>	Managing information/data; adequacy of computer hardware; adequacy of computer software; connectivity to computer networks
<b><u>H</u>uman Resources (7)</b>	Compliance with labor law; managing payroll; recruiting paid staff; staff training; recruiting volunteers; paying competitive wages; providing staff benefits
<b><u>P</u>rograms (4)</b>	Grant reporting; designing programs; modifying programs; assessing program outcomes

Most of the questionnaires from other agencies, including the “Nonprofit Check-up”, a self-assessment guide developed by Nanette Keiser for the W.K. Kellogg Foundation’s Kellogg

Youth Initiative and Western Michigan University, that we examined classified skills along similar dimensions.

The executive directors' survey included three sections: Organization profile (descriptive and demographic questions), Management Skills, and Resources for Improving Management Capacity. Participants were asked in the management skills section how well they do in the 27 previously discussed management skills, as well as to rank their priorities for improvement across these skills. In the third section of the survey, participants were asked what training they have received and how satisfied they have been in this training across these skills, other sources of ongoing management expertise, and their experience and interest in collaboration across these skills. We asked participants to think about how their organization operates and, recognizing that some organizations may be stronger in some areas than in others, rate their organization across several areas using a scale from 4.0 (A) to 0.0 (E). We expect that respondents based their self-assessment on their peers, competitors, or otherwise familiar understanding of being excellent, average, or below average in these skills. One focus group of executive directors examined preliminary results, and two other focus groups of directors assisted in analyzing results and reviewing tentative recommendations on training format, collaboration, and use of the Internet.

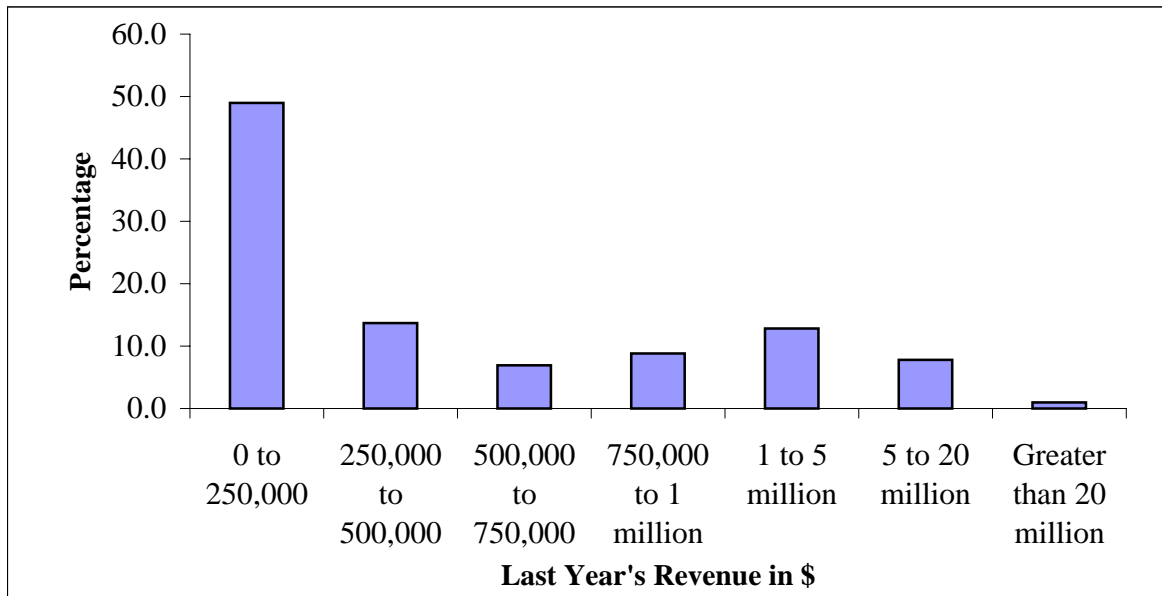
The board member survey, designed for board presidents or other representative board members, was shorter than the one for executive directors. After questions about the composition and process by which the board governs, participants were asked the same set of questions about grading the organization's performance across the 27 management skills, and ranking these skills with respect to priorities for improvement, as were the executive directors. Next, the board member was asked about ten key financial accountability indicators. Finally, participants were asked how satisfied they were with services received from paid consultants, as well as the organization's experience and projections for possible collaboration, as were the executive directors. The survey instrument administered to directors of agencies is provided in Appendix 3.

### III. RESULTS

**Description of Sample.** Not surprisingly, the nonprofit organization population in Washtenaw County, as represented by this sample, is very diverse. There is a wide range of size (total revenue), mission or type of organization, age of organization, and number of staff. 80% of the sample provides services exclusively within the state, and 44% of the sample provided services entirely within Washtenaw County. 25% of the sample is affiliated with a national or parent organization. 34% of the sample has an external accrediting body and 26% of the sample has attained some form of accreditation.

One-half of the organizations in the sample had less than \$250,000 in total revenue last year, as seen in Table 4. 91% of the sample had revenue less than \$5,000,000 with nine organizations exceeding that amount. The only organization in the sample with revenue over \$20 million had \$44 million of total revenue in the prior year.

**Table 4**  
**Sample - Size**



Another way of classifying organizations is by the source of their revenue. If this sample is viewed as one “typical” nonprofit organization, then 69% of its total revenue comes from contributions (28%), grants and contracts (23%), special events in “nonexchange transactions” (6%), and investment income (12%). The remaining 31% of revenue is generated from charges for services and products provided in “exchange transaction.” A more informative view that

yields a similar profile is that 71% of all the organizations in the sample get their revenue primarily from contributions, grants, and investment income, while 29% of the organizations are primarily dependent on “fees for services.”

Several nonprofit support organizations as well as the federal government developed a classification scheme for nonprofit agencies called the National Taxonomy for Exempt Entities (NTEE). Ten codes for code activities, further divide into 26 major groups, are used to classify the very diverse population of exempt organizations. This scheme is coordinated with the North American Industry Classification System (NAICS) that replaced Standard Industrial Codes (SIC) in 1999, and may be required information of the IRS Form 990. The classification of organizations in this study are seen in Table 5.

**Table 5**  
**Sample - Mission of the Organization (By NTEE Core Codes and Major Groupings)**

	<u>N=</u>	<u>%</u>
<b>I. Arts, Culture and Humanities</b>	9	8.7
<b>II. Education</b>	16	15.5
<b>III. Environment/Animals</b>	7	6.8
Environment quality, protection (6); animal related (1)		
<b>IV. Health</b>	21	20.4
Health – general and rehabilitative (12); mental health (4); disease, disorders, medical (3); medical research (2)		
<b>V. Human Services</b>	34	33.0
Crime, legal related (2); food and nutrition (4); housing and shelter (7); recreation, sports, and leisure (6); human services (12); youth development (3)		
<b>VI. International/Foreign Affairs</b>		
<b>VII. Public/Society Benefit</b>	15	14.6
Civil rights, social action (1); advocacy (2); community improvement (4); capacity building (2); philanthropy and volunteerism (3); other public benefit (3)		
<b>VIII. Religion related</b>	<u>1</u>	<u>1.0</u>
<b>IX. Mutual/Membership Benefit</b>		
<b>X. Other</b>		
<b>Total</b>	<u>103</u>	<u>100%</u>

The median age of an organization is 22 years, although the range is between 1 year and 200 years old! Nine organizations might be considered “young,” start-up organizations as they are less than five years old. 68% of the sample are “middle-aged”, that is they were started after the 1960s and are 5 to 40 years old. 22 organizations are “mature”, i.e., more than 40 years old and have presumably gone through many changes over the years. The chronological age of nonprofit organizations may not be as important as their “developmental age” — the “life cycle”

of the entity is integrally tied to changes new governing boards make to meet the dynamic community needs. Nevertheless, it is important to recognize that 90% of the Washtenew County nonprofit community has been around more than five years.

Table 6 provides some descriptive evidence of the composition of staff in the sample organizations. The median is a more useful statistic to consider than the mean in this case because 10% of the sample has between 50 and 530 paid staff, and 20% of the sample report between 100 and 5,200 volunteers. The median shows that the middle organization has 5 full-time paid staff people when organizations are ranked, .5 part-time paid persons, no full-time volunteers, and 20 part-time volunteers.

**Table 6**  
**Sample - Composition of Staff**

	<u>Full-Time</u>	<u>Part-Time</u>	<u>Total</u>
<b>Paid Staff</b>			
Mean	24.9		33.2
Median	5.0	.5	5.5
Standard deviation	69.3		94.3
<b>Volunteers</b>			
Mean	1.0		158.6
Median	.0	20.0	20.0
Standard deviation	4.2		657.2

The executive directors responding to the survey report that they have been with the organization, on average, 8.4 years, and in their present position almost 6 of those years.

**Survey of Executive Directors.** The paper text of the survey to the executive directors is presented in Appendix 2, although, 85% of the executive directors responded using the computer aided personal interview (CAPI) technology. Focus group participants reported that it took between 15 and 45 minutes and they found the survey on disk to be enjoyable and novel. They were asked to describe their organization; rate the organization’s performance across six dimensions of management skills; rank priorities for improvement for these skills; evaluate training formats for development of these skills; identify other resources for improving skills; such as libraries and the Internet; and report on their heir experience and interest in collaboration with other organizations in service delivery and management skills.

**Performance Ratings of Management Skills.** Agency directors rated themselves above average (“C” being average) on 16 out of 27 management skills (an A or B grade) as seen in Table 7.

They grade themselves highest on the financial management skills, and lowest on the external relations skills (see Table 4 for the six dimensions of management skills). The highest, and only A grade, came in compliance with nonprofit laws. Organizations gave themselves the lowest grades in the area of external relations, i.e., fundraising and development, marketing, and public relations. Governance issues were also rated relatively low, with board training at the bottom of the list with a C-. Technology skills were generally graded B-, although connection to appropriate computer networks received a slightly lower C+.

**Table 7**  
**Executive Directors - Performance Ratings for Selected Management Skills**

<u>Function</u>	<u>Skill Code</u>	<u>Mean Grade N=101</u>	
Compliance with nonprofit laws	F	3.7	A-
Compliance with labor law	H	3.4	B+
Accounting	F	3.4	B+
Financial reporting	F	3.3	B+
Managing payroll	H	3.2	B
Managing facilities and equipment	F	3.1	B
Understand the audit	F	3.0	B
Budgeting	F	3.0	B
Designing programs	P	3.0	B
Modifying programs	P	3.0	B
Manage information/data	T	2.9	B-
Adequacy of computer hardware	T	2.9	B-
Adequacy of computer software	T	2.9	B-
Staff training	H	2.8	B-
Public relations	E	2.7	B-
Assess program outcomes	P	2.7	B-
Recruiting volunteers	H	2.6	C+
Recruiting paid staff	H	2.5	C+
Grant reporting	P	2.5	C+
Strategic planning	G	2.5	C+
Board recruitment	G	2.5	C+
Connectivity to computer networks	T	2.4	C+
Fundraising and development	E	2.2	C
Provide staff benefits	H	2.2	C
Marketing	E	2.2	C
Paying competitive wages	H	2.1	C
Board training	G	1.9	C-

The seven human resource skills spanned the chart. Again respondents felt confident they complied with labor law; however, nonprofits are finding they are not immune from lawsuits for breaking employment contracts, harassment, and other unfair labor laws. Not surprisingly, the lowest rated human resource skill was the ability to provide competitive wages and benefits, receiving a C grade.

***Priorities for Improvement of Management Skills.*** An interesting, but maybe not surprising, result is that executive directors indicated that their highest priority for improving management skills were those in which they gave their organizations the lowest grades. In fact, the list in Table 8 for priorities seems to be the inverse of Table 7 on performance ratings. That is, the top three priorities identified by managers are the external relations skills; i.e., fundraising and development, public relations, and marketing. This may not be surprising given that 74% of the sample depend upon the public for the majority of their revenue. Governance skills, such as recruiting board members and strategic planning, also appear high on the list of priorities for managers.

Another revealing statistic is that the top three functions ranked as the most important management skills to improve were fundraising and development (27%), strategic planning (15%), and recruitment of board members (9%). Again, it is striking that directors' self-assessment of the organization's abilities in these governance and external relation skills were rated on the low side, but indications are that they are the highest priority. Our study did not look at causality or other relationships among these variables. It is likely that because organizations do not do well in an area, they see a strong need to improve.

**Table 8**  
**Executive Directors - Priorities for Improving Management Skills**

<u>Function</u>	<u>Skill Code</u>	<u>Percent Who Ranked It Very High or High</u>
Fundraising and development	E	69
Public relations	E	60
Marketing	E	59
Assess program outcomes	P	53
Strategic planning	G	51
Management information/data	T	51
Board recruitment	G	49
Recruiting volunteers	H	47
Staff relations and training	H	40
Budgeting	F	39
Board training	G	38
Adequacy of computer software	T	38
Designing programs	P	36
Modifying programs	P	36
Recruiting paid staff	H	36
Managing facilities/equipment	F	35
Connectivity to computer networks	T	33
Accounting	F	31
Adequacy of computer hardware	T	30
Financial reporting	F	29
Providing staff benefits	H	21
Grant reporting	P	20
Compliance with nonprofit laws	F	20
Understanding the audit	F	20
Compliance with labor law	H	19
Managing payroll	H	14

***Training for Management Skills.*** Almost 80% of respondents reported that they had someone in the organization attending training; however, only 48% of the organizations had a training budget. We learned in the focus groups that many staff fund their own training, or expenses for training may actually get charged to different line items in the budget. That is, when training needs are identified and opportunities exist, the director will find the money to send staff. Table 9 provides information about training including format. The average registration fee for the most useful training was \$253 (range from \$0 to \$4,000), although half of the respondents indicated they paid \$100 for the most useful training.

The most useful training appears to be those that are more than one day and within the county, although by a very small margin. Location is apparently not a key consideration when the training is of good quality and addresses priority needs. Almost a quarter of the respondents (23%) found one day training to be most useful, and only 14% favored half-day training. Focus group participants articulated the tension between being away from the office when there was not adequate staff to cover programs, and the need to be away longer for more effective training.

**Table 9  
Training**

	<u>Frequency</u>	<u>Percent</u>
<b>Has anyone in the organization attended training or conferences in the last year?</b>		
Yes	83	80.6
No	17	16.5
Missing	<u>3</u>	<u>2.9</u>
Total	<u>103</u>	<u>100.0</u>
<b>Does the organization have a training budget?</b>		
Yes	49	47.6
No	51	49.5
Missing	3	<u>2.9</u>
Total	<u>103</u>	<u>100.0</u>
<b>What is the format of the most useful training?</b>		
Half-day	15	18.3
One day	18	22.0
More than one day	37	45.1
Other	8	9.8
Unsure	<u>4</u>	<u>4.9</u>
Total	<u>82</u>	<u>100.0</u>
<b>Where was the most useful training held?</b>		
Washtenaw County	25	36.7
Another Michigan county	24	34.3
Out-of-state	17	24.3
Unsure	<u>4</u>	<u>5.7</u>
Total	<u>70</u>	<u>100.0</u>

Table 10 details the topics that respondents found most useful. After programs covering program issues, such as evaluation and industry specific knowledge, external relations skills again show up at the top of the list, as they did in the list of priorities. Again, participants gave

themselves the lowest skills in these areas. The second set of skills represented by the most useful training appears to be governance skills (i.e., strategic planning, board effectiveness, and board training).

**Table 10**  
**Topics Covered in Most Useful Training**

<u>Topic</u>	<u>Skill Code</u>	<u>Frequency</u>	<u>Percent</u>
Program evaluation and industry specific knowledge	P	40	48.8
Public relations	E	24	29.3
Fundraising	E	22	26.8
Marketing	E	22	26.8
Community needs	P	22	26.8
Strategic planning	G	21	25.6
Outcomes assessment	P	20	24.4
Board effectiveness	G	17	20.7
Management team	F	17	20.7
Personnel management	H	17	20.7
Computer systems	T	17	20.7
Nonprofit law (and industry regulations)	F	14	17.1
Board training	G	13	15.9
Volunteer staff	H	12	14.6
Budgeting	F	10	12.2
Financial planning	F	9	11.0
Board recruitment	G	8	9.8
Accounting	F	8	9.8
Compensated staff	H	8	9.8
Facilities	F	7	8.5
Financial reporting	F	6	7.3
Grant reporting	F	5	6.1
Managerial accounting	F	2	2.4
Auditing	F	1	1.2

***Other Resources to Improve Management Skills.*** Participants in the first three focus groups indicated that they used resources other than formal workshops and training programs for developing their management skills. Two such resources, libraries and Internet use, were incorporated into the executive directors' survey.

**Library and Internet.** Training and the use of consultants are not the only ways that people seek to find information, build new skills and gain knowledge and expertise. We asked executive directors specifically about their use of the library and the Internet. Table 11 reports the use of the library and the Internet in total. A significantly higher percentage of directors used

the Internet than used the library for help in managing or operating their organization by a margin of 84% vs. 54%. Satisfaction with both resources was high with 78% either satisfied or very satisfied with the library as a resource and 87% satisfied or very satisfied with the Internet as a resource for these management issues.

**Table 11**  
**Library and Internet Use**

	<b><u>Skill Code</u></b>	<b><u>Library Percent</u></b>	<b><u>Internet Percent</u></b>
<b>Has anyone used the library/Internet in the last year to help manage or operate the organization?</b>			
Yes		54.0	84.0
No		<u>46.0</u>	<u>16.0</u>
Total		<u>100.0</u>	<u>100.0</u>
<b>What topics were covered in library/Internet research?</b>			
Fundraising	E	51.9	50.0
Program evaluation	P	11.1	37.0
Computer systems	T	20.4	20.4
Public relations	E	13.0	20.4
Nonprofit law	F	18.5	18.5
Board effectiveness	G	16.7	16.7
Personnel management	H	16.7	16.7
Outcomes assessment	P	14.8	14.8
Strategic planning	G	14.8	14.8
Board training	G	13.0	13.0
Community needs	P	18.5	13.0
Board recruitment	G	11.1	11.1
Marketing	E	11.1	11.1
Grant reporting	P	11.1	11.1
Financial planning	F	9.3	9.3
Volunteer staff	H	9.3	9.3
Management team	F	7.4	7.4
Accounting	F	5.6	5.6
Financial reporting	F	5.6	5.6
Managerial accounting	F	5.6	5.6
Compensated staff	H	5.6	5.6
Budgeting	F	3.7	3.7
Facilities	F	3.7	3.7
Auditing	F	1.9	1.9
<b>Satisfaction with library/Internet as a resource?</b>			
Very satisfied		37.0	35.7
Satisfied		40.7	51.2
Neither satisfied nor dissatisfied		14.8	10.7
Dissatisfied or very dissatisfied		<u>7.4</u>	<u>2.4</u>
Total		<u>100.0</u>	<u>100.0</u>

What people used the library and Internet for, in terms of specific management task areas, shows many similarities but a number of distinct differences between the two. The number one use of both and at essentially the same level of usage (52% and 50%), is fundraising. Its first rank is not surprising here since fundraising is the number one priority area for improvement. What is noteworthy is that for both resources the number of people tapping into these resources drops dramatically after the topic of fundraising. The number two use of the library is for learning about computer systems, such as setting up a webpage (20%); and number two for the Internet is program evaluation (37%). Obviously the drop for the Internet is not as great and reflects the preference for and much more intensive use of the Internet for almost all topics.

There are also significant differences in preference and use of the Internet over the library in terms of what topics are more likely to be searched in each of these settings:

	<u>Internet</u>	<u>Library</u>
strategic planning	rank #4 (25%) vs. rank #5 (15%)	
public relations	rank #5 (23%) vs. rank #6 (13%)	
marketing	rank #3 (29%) vs. rank #7 (11%)	

Preference for the library over Internet, in terms of rank of use include:

	<u>Library</u>	<u>Internet</u>
nonprofit law	rank #3 (19%) vs. rank #4 (19%)	
board effectiveness	rank #4 (17%) vs. rank #5 (17%)	
outcomes assessment	rank #5 (15%) vs. rank #6 (15%)	

Note that in this comparison we are comparing differences in rank of preference/use and not percentages. While nearly the same percentage of executive directors uses the Internet for information on board effectiveness and outcomes assessment as those who use the library, there are significant differences in the rank ordering of the two sources. Also note here that these statistics are not describing two exclusive groups. Some directors use both sources.

Other topics are closer in frequency of use both in terms of relative use (rank of frequency) and absolute use (percentage of directors tapping this management resource) for the library and Internet. What these results on topic of use suggest is that the Internet is a more frequently used and more preferred resource when looking at "outside" management tasks such as strategic planning, community needs and marketing. The library is a preferred resource

(relatively) for more "inside" and more technical management problems such as nonprofit law, board effectiveness, and outcomes assessment. Perhaps the most important conclusion that can be drawn from this data is that the Internet is now playing a major role for nonprofits in seeking information, connections, and new knowledge in managing their organizations.

Although it is beyond the scope of this study to examine in detail the use of the Internet by nonprofit organizations, one correlation is interesting to note. The average rating for those who used the Internet was significantly higher than for those who did not use the Internet, 2.84 for those who use the Internet and 2.34 for those who do not use the Internet. This statistically significant difference in overall "GPA" on management capability extends to almost every one of the individual areas of management function. There is no claim here for causality either way, but there is an interesting and very strong correlation that ought to be researched further.

These results concerning the use of the Internet were explored with two of the focus groups. Their comments were instructive and suggestive, even if caution must be taken in making too broad a generalization. Those who belonged to national organizations (either individual professional organizations or national organizations to which their local nonprofit is an affiliate) sometimes have access to listservs and websites that connected executive directors in the same or similar nonprofits nationally. These executive directors would use the Internet not just to explore for information but also to pose specific management questions or problems to a far-flung network of peers. Someone or several peers in this network would often provide suggestions, references, or lessons learned from their own experience. This was a very helpful form of management support and collaboration. It may, the researchers think, help to explain, in part, the fact that executive directors who use the Internet rate their management performance slightly and statistically significantly higher than their peers who do not use the Internet. It is, minimally, an important hypothesis to work with.

This result regarding use of the Internet and the comments of the focus group members also fit with results regarding the most useful formats for training. The data, discussed earlier in the report, indicate that training session of more than one day was found to be the most helpful. Participants in the focus groups offered several plausible explanations for this. Training programs that last more than one day or are part of a professional meeting spanning more than one day, allow time for the participant to integrate what they are learning and to think about and plan how they can apply the new knowledge back home. Also, and just as importantly to people

speaking in the focus groups, these extended sessions provided time and opportunity to "pick the brains" of one's colleague. This was seen by most focus group participants as something that most often was more useful than what they were getting from the presenters. In this context one can see the use of the Internet, where one has access to listservs and similar services as a large, global context, in which one can "pick the brains" of one's peers and colleagues.

**Consultants – Paid Professionals and Board Members.** As an alternative to developing their own personal skills and expertise, directors have the option of purchasing services from a variety of professionals servicing the management needs of the agency; such as auditors, attorneys, insurance agents, grant writers, management consultants. In the survey we chose to ask directors about several of these. Table 12 provides a summary of the percentage of agencies that purchased each of the types of management services in the past year. We can, we think, generally ignore the auditor and insurance agent figures since these are functions that every nonprofit of a certain size is required by law to use. The more instructive figures are for attorneys, grant writers and management consultants.

The exact same proportion used attorneys and management consultants, 38%. Only a small minority, 8%, purchased the services of a grant writer. Table 12 also displays the uses for which consultants were employed. The majority of consultants were used for program development (35% of the consulting engagements), or accounting problems (25% of the consulting engagements). Others areas include: fundraising, marketing and legal issues.

As Table 12 indicates, the level of satisfaction with the paid professional services is high. Only grant writers were rated relatively low, with only 50% of those paying a grant writing indicating they were either satisfied or very satisfied with the services received. The other levels of satisfaction range between 82% and 92%, satisfied or very satisfied. Note that 39 organizations in the sample paid consultants for 52 engagements or uses in the prior year.

**Table 12**  
**Consultants – Paid Professionals and Board Members**

	<u>Percent</u> <u>Yes</u>	<u>Level of</u> <u>Satisfaction*</u>
<b>Purchase of Professional Services</b>		
External Auditor	67.0	82.6
Attorney	37.9	82.0
Insurance Agent	77.7	86.3
Grant Writer	7.8	50.0
Consultant	37.9	92.3
*Percent “satisfied” or “very satisfied” with the services received		
 <b>Services Provided by Paid Consultants</b>		
	<u>Number of</u> <u>Engagements</u>	<u>Percent of</u> <u>Engagements</u>
Accounting	13	25.0%
Marketing	7	13.5%
Legal	6	11.5%
Program Development	18	34.6%
Fundraising	<u>8</u>	<u>15.4%</u>
Total	<u>52</u>	<u>100.0%</u>
 <b>Services Provided by Board Members</b>		
	<u>Number of</u> <u>Engagements</u>	<u>Percent of</u> <u>Engagements</u>
Accounting	33	21.0%
Legal	32	20.4%
Marketing	32	20.4%
Program Development	28	24.2%
Other Services	<u>22</u>	<u>14.0%</u>
Total	<u>157</u>	<u>100.0%</u>

Many nonprofit agencies use board members as consultants and professional service providers in dealing with management tasks. This is a time-honored tradition in recruitment of board members - find people who can assist the agency in specific ways. The results of this survey (see the lower panel of Table 12) confirm that board members are indeed an important source of expertise and professional services. They are used by a higher proportion of agencies and for more "engagements" than outside consultants, attorneys, and even auditors. Only outside insurance agents are used by more agencies than the professional services of their own board members. The services of board members were used by 74% of the nonprofits, with a total of 157 mentions of use. This is an average of 2.1 uses of board members per agency, for those who

used them at all as consultants and service providers. Some of the uses that are grouped in the table under "other" are: fundraising (by far the most common "other" use"), long range planning, construction, quality improvement, negotiating contracts, feasibility study, and computer hook-up.

***Collaboration to Improve Management Capacity.*** One of the ways in which organizations expand and enhance their capacity, either for direct delivery of program or management, is to collaborate with other organizations. It is a potentially powerful tool in that it may not only reduce redundancy but also create management and planning resources not otherwise available to any of the agencies involved in the collaborative project or activity. In the past five years or so there has been a tremendous amount of interest in collaboration among community-based agencies. Many funders, government agencies and private foundations, have made collaboration a condition for receipt of some grants. In some areas the government has formalized the push for collaboration in law, creating multi-purpose collaborative bodies to oversee the allocation of certain funds and promote collaboration across agencies (Boris and Steuerle, 1999).

This survey was not designed to examine collaboration in detail. Rather it takes a first look at whether the push for collaboration at the service delivery level has spilled over to management functions, and to identify areas in which agencies would at least be interested in discussing future collaboration in the area of management functions.

**Experience with Collaboration.** The first question asked was simply, have you ever collaborated with another organization, on any activity or project? A remarkable 75% said "yes" and 7% said don't know - attributable to the fact that some directors were not sure whether some collaboration occurred before their tenure in the agency. The balance (18%) had definitely not collaborated. Executive directors were then asked to identify, from the list of management functions, those areas in which they had collaborated with other agencies. For the areas in which they had collaborated they were then asked how satisfied they were with the collaborative project or experience.

Table 13 summarizes the results from these two questions - the percentage of directors who report that their nonprofit organizations have collaborated - by each area of management function, and the percentage who reported being either satisfied or very satisfied with that collaborative experience. Use of one base of comparison or the other does not change the ranking or relative size of the participation in each type of collaboration.

**Table 13**  
**Collaboration on Service Delivery and Specific Management Tasks**

<u>Activity</u>	<u>Skill Code</u>	<u>% Who Collaborated in the Past</u>	<u>% Satisfied or Very Satisfied With Past Collaboration</u>	<u>% Willing to Collaborate in this Area*</u>
		N = 103	N = 77	
Service delivery	P	43.7	82.3	36.9
Community needs	P	30.1	74.2	48.5
Public relations	E	21.4	68.1	35.0
Marketing	E	20.4	76.1	34.0
Facilities	F	17.5	83.4	24.3
Fundraising	E	16.5	70.6	45.6
Program evaluation	P	13.6	64.3	21.4
Strategic planning	G	9.7	70.0	20.4
Volunteer staff	H	9.7	90.0	23.3
Computer systems	T	9.7	70.0	11.7
Outcomes assessment	P	6.8	28.6	13.5
Grant reporting	F	5.8	50.0	13.5
Compensated staff	H	5.8	50.0	15.5
Board effectiveness	G	3.9	75.0	15.5
Personnel management	H	3.9	50.0	8.7
Board training	G	3.9	50.0	16.5
Managerial accounting	F	2.9	33.3	3.9
Budgeting	F	1.9	50.0	2.9
Board recruitment	G	1.9	50.0	10.7
Accounting	F	1.9	50.0	8.7
Auditing	F	1.9	50.0	2.9
Financial reporting	F	1.0	0.0	4.9
Nonprofit law	F	1.0	0.0	6.8
Financial planning	F	1.0	0.0	6.8

\* Some respondents selected more than one function, percents are of the total number of mentions, not respondents.

Service delivery, as discussed above, has been an area where collaboration has been heavily promoted and even required. It provides something of a benchmark by which we can compare the levels of collaboration in management areas. 44% of all nonprofits in Washtenaw County have collaborated, at one time or another, on service delivery. Of those nonprofits that have ever collaborated, 58% of their collaborations have occurred in the area of service delivery. This figure is substantially greater than the proportions collaborating on any other issue or area of activity.

Ignoring service delivery, for the moment, the rank order and percentage involved (of those who have every participated) in collaborations are:

#1	Community needs	30.1%
#2	Public relations	21.4%
#3	Marketing	20.4%
#4	Facilities	17.5%
#5	Fundraising	16.5%
#6	Program evaluation	13.6%

The percentages involved in collaboration drops-off substantially after that with three functional areas (strategic planning, volunteer staff, and computer systems) tied for sixth at 9.7% having been involved. These levels of collaboration on program evaluation is likely (although not exclusively) tied with the high levels of collaboration on service delivery - particularly where that activity was dictated by a grant that would, in many or most cases, include a required evaluation component. No correlation was found between past experience with collaboration, either overall or in any areas of management function and the following variables: size of the organization measured in terms of budget, age of the organization, or source of revenue in terms of percentage generated by fees vs. other sources. Collaboration appears to occur across the board in terms of types of organizations.

Satisfaction with past experiences, while they will not determine willingness to engage in future collaborations, influences that willingness. More importantly the level of satisfaction needs to be taken into consideration by those who might wish to promote increased level of collaboration on management functions. The highest level of satisfaction was with the recruitment and management of volunteer staff, at 90% satisfied or very satisfied (see the middle column of percentages in Table 13). This is followed closely by facilities (83%), and service delivery (82%). Of the most frequently mentioned areas of collaboration, public relations scores 68% with this level of satisfaction, fundraising is at 71%, community needs is 74%, and program evaluation at 64%. Strategic planning and computer systems round out this list of relatively frequent collaboration at 70% satisfied or very satisfied. In these areas one would have to say that there is a fairly solid base of experience for promoting additional collaboration among nonprofits.

There are a few areas for concern. In particular one has to note the lowest level of satisfaction recorded (29% satisfied or very satisfied) with outcomes assessment - an area closely

related to program evaluation. Board recruitment and training are items showing very low levels of past collaboration and only 50% levels of satisfaction. Similar results are obtained for board effectiveness in terms of actual activity (although with higher levels of satisfaction).

**Interest in Future Collaboration.** Each executive director was asked, for each of the management areas listed and others they could mention that were not on the list, would they consider collaboration in the future? The far right column of Table 13 summarizes the results from this question. The table orders them by the percentage responding affirmatively. Only two score at the 40% level or higher - assessing community needs (49%) and fundraising (46%). Three score in the thirties, service delivery (37%), public relations (35%), and marketing (34%). After that then levels of interest fall off to less than a quarter of the respondents. Not surprisingly most of these areas are both at the top of the list of those activities on which people have collaborated in the past and which are ranked very high in terms of priority for improvement.

Service delivery presents an interesting pattern worth noting. There are two groups of thought regarding collaboration on service delivery (which also came out in a focus group as well). Only 37% of all respondents indicated that they would consider future collaborations in the area of service delivery. This compares to 44% of all respondents who have collaborated on service delivery at some point in time. But, looking at only those who have actually collaborated in the past, 58% of their collaborations involved service delivery. Of these people 60% would consider collaborating in the future, and 40% would not. Although this data indicates that a significant portion of the organizations had a bad experience in their prior collaboration on service delivery, 60% those who collaborated on service in the past (representing 37% of the total sample) are willing to consider a future collaboration on service delivery.

The results on collaboration were shared with a focus group of nonprofit directors. They provided a number of useful insights into the data. The participants in the focus group sounded a note of caution, if not skepticism, about collaboration. In general the group felt that in the past, and currently, many collaborations were "forced" by funders who wanted to reduce duplication, increase efficiency and save money. Most in the group felt that collaborations were time consuming to organize and make work. They felt that in the end you often got the same or less output for more input (in time and money). The success of the collaboration depended on the skills of the person in charge and the mix of organizations. Sometimes expectations were too

high. This is, perhaps, reflective of what we see in the results for service delivery collaboration (where most people have gained their experience with collaboration) in the total sample. And it may reflect people hearing more about the problem situations than about the successes.

While collaboration on service delivery was a "natural thing," as one person in the focus group expressed it, collaboration on management was more difficult. The success of a collaboration in the area of management functioning depended, even more than in the case of service delivery, on the organizational cultures, size, and "demographics" of the two organizations. There was also the issue of matters and information that could be considered "proprietary" and important to "competitive position" by an organization - in areas like grant writing, financial management, donor lists. These issues of "proprietary" information and "competitive position" are not ones normally associated with nonprofit management. They are normally thought of as belonging to the competitive private sector. These are, nonetheless, terms that people in essentially all of the focus groups used at one time or another. There is a reality today that nonprofit organizations are in competition for a limited supply of donations from the community, United Way monies, and grants and contracts. In other areas, such as health and counseling services, nonprofits are increasingly finding themselves in direct competition with each other and with for-profits for clients and third-party reimbursements. Another explanation for the gap between collaboration on service delivery and management was made by another focus group participant. He/she commented that in service delivery it was easier to match organizations of different sizes. They found this to be a problem in management-focused collaborations. Some guidelines for successful collaboration seem appropriate. For example, clear goals, specific management tasks, targeted outcomes, and training in "how" to effectively collaborate. There is literature on this that would serve future organizers of collaborations well.

The reader should keep in mind that while the focus groups were made-up of respondents to the survey there can be no claim that their views are representative of the total sample. It can be said that they are suggestive and fit with the data and the experience of the researchers. One model of collaboration that some in the focus group had experience with, and which the other members affirmed as of interest to them, was the provision of services through a professional/affiliation organization. For example, as part of a \$1,000 per year dues to the organization the agency had access to legal services, an expert that understood their "business" and could help with contracts, personnel matters, advice on computer hardware and software,

etc. Collaboration is a strategy that significant percentages of agencies are using to improve the efficiency and effectiveness of service delivery and management. It is however a strategy that needs to be approached with an understanding that some caution and even skepticism exists among some nonprofit agency directors.

**Survey of Board Members.** With the assistance of the sponsors, we obtained the name and address of each organization's board president and received 48 surveys back from current or recently past board presidents or vice-presidents. For 32 of these board presidents we also had survey data from the executive director of the same organization. A copy of the paper version of the board members survey is included as Appendix 3. All but one board member responded using the CAPI technology. Board member respondents represented, as a whole, larger organizations (mean revenue \$726,538) than executive director respondents (mean revenue \$250,000). More than one-half of these board members had been with the organization at least eight years, and in their present position at least three years. As with the executive directors, these board members came from organizations whose missions were primarily education, arts and culture, and human services.

**Description of Boards.** The typical board, as represented by these respondents, has an average of 13 members (range 4 to 32), meets regularly (52% monthly and 98% more than once a year), and has an active committee structure (75% yes). The most active committees are executive, steering, program, and finance which meet monthly (52%). Board members are recruited by recommendation of current board members (94%), staff (60%), clients or patrons (38%), or self-nomination (35%). Note that indicating more than one method was acceptable. New board members are oriented most often by receiving a packet of information containing board policies and other information (88%), an orientation meeting (52%), and mentoring by another board member (40%). Only 12% of Board members report receiving any formal training for their jobs.

**Board Member Performance Ratings Compared to Executive Directors.** Overall, board members and executive directors were remarkably consistent in performance ratings and awarded the organization a B- across all the management skills, as can be seen in Table 14. Average ratings were identical for 17 of the 27 skills. Board members gave slightly higher ratings in six skill areas and slightly lower ratings in four.

**Table 14**  
**Comparison of Performance Ratings for Selected Management Skills**

<u>Function</u>	<u>Skill Code</u>	<u>Executive Director's Mean Grade</u> <u>N=101</u>		<u>Board Member's Mean Grade</u> <u>N=48</u>	
Compliance with nonprofit laws	F	3.7	A-	3.9	A-
Compliance with labor law	H	3.4	B+	3.4	B+
Accounting	F	3.4	B+	3.4	B+
Financial reporting	F	3.3	B+	3.4	B+
Managing payroll	H	3.2	B	3.1	B
Managing facilities and equipment	F	<b>3.1</b>	<b>B</b>	<b>3.3</b>	<b>B+</b>
Understanding the audit	F	3.0	B	3.0	B
Budgeting	F	3.0	B	3.0	B
Designing programs	P	3.0	B	3.2	B
Modifying programs	P	<b>3.0</b>	<b>B</b>	<b>3.3</b>	<b>B+</b>
Manage information/data	T	<b>2.9</b>	<b>B-</b>	<b>3.0</b>	<b>B</b>
Adequacy of computer hardware	T	<b>2.9</b>	<b>B-</b>	<b>2.6</b>	<b>C+</b>
Adequacy of computer software	T	<b>2.9</b>	<b>B-</b>	<b>2.5</b>	<b>C+</b>
Staff training	H	2.8	B-	2.8	B-
Public relations	E	2.7	B-	2.8	B-
Assess program outcomes	P	2.7	B-	2.7	B-
Recruiting volunteers	H	2.6	C+	2.6	C+
Recruiting paid staff	H	2.5	C+	2.6	C+
Grant reporting	P	2.5	C+	2.3	C+
Strategic planning	G	<b>2.5</b>	<b>C+</b>	<b>2.7</b>	<b>B-</b>
Board recruitment	G	<b>2.5</b>	<b>C+</b>	<b>2.8</b>	<b>B-</b>
Connectivity to computer networks	T	2.4	C+	2.4	C+
Fundraising and development	E	<b>2.2</b>	<b>C</b>	<b>2.5</b>	<b>C+</b>
Provide staff benefits	H	2.2	C	2.0	C
Marketing	E	<b>2.2</b>	<b>C</b>	<b>2.6</b>	<b>C+</b>
Pay competitive wages	H	2.1	C	2.1	C
Board training	G	<b>1.9</b>	<b>C-</b>	<b>2.2</b>	<b>C</b>
Overall GPA (grade point average)		2.77	B-	2.82	B-

\* differences noted in boldface

Both groups gave the top grade to compliance with nonprofit laws, although focus group participants admitted that they considered the organization doing well if it wasn't "in trouble."

Both groups gave above average grades to all of the financial skills (F), and below average

grades to all of the governance skills (G). Most of the program (P) and technology (T) skills were rated above average, and most of the human resource skills (H) were rated below average.

***Board Members' Priorities for Improvement Compared to Executive Directors.*** Both executive directors and board members rated fundraising and development as the top priority for improvement as seen in Table 15. The next highest priorities for most board members were marketing, public relations, and strategic planning, with more than half of the executive directors ranking these governance and external relations skills very high or high priority. Most rankings were remarkably consistent. Not surprisingly, though, a higher percentage of executive directors ranked internal management skills, such as managing facilities and equipment and computer connectivity, higher than board members. One of the largest differences is that 38% of executive directors ranked board training as a high priority compared to 27% of the board members.

***Management Accountability to the Board.*** Board members reported that many internal control measures are in place for holding the executive directors accountable for the financial resources with which they are entrusted. A board member or director receives the bank statement before the accountant who makes disbursements (94%); and treasurers' reports are submitted to the board at regular board meetings (92%), although only 73% report that the board takes action each meeting to approve the Treasurer's report. Annual audits are conducted by an external CPA (64.6%); and financial performance measures are regularly reported to the board (75%), such as comparing actual operating results to the budget, comparing program expenses to general and administrative expenses, and aging accounts receivable. While board members reported that at least once a year they evaluate the strategic plan (79%), identify consumers' needs (81%), and assess whether consumers/patrons/clients are satisfied with the services provided (73%), many respondents (35%) admit that the organization doesn't compare performance measures to the strategic plan, and commented that "we are just started to become sophisticated in this difficult process."

**Table 15**  
**Comparison of Priorities for Improving Management Skills**

<b><u>Function</u></b>		<b>Exec. Directors Percent Who Ranked it Very <u>High or High</u></b>	<b>Board Members Percent Who Ranked it Very <u>High or High</u></b>
Fundraising and development	E	69	65
Public relations	E	60	54
Marketing	E	59	58
Assess program outcomes	P	53	44
Strategic planning	G	51	54
Manage information/data	T	51	42
Recruiting board members	G	49	42
Recruiting volunteers	H	47	44
Staff relations and training	H	40	35
Budgeting	F	39	40
Board training	G	38	27
Adequacy of computer software	T	38	38
Designing programs	P	36	44
Modifying programs	P	36	42
Recruiting paid staff	H	36	33
Managing facilities and equipment	F	35	21
Connectivity to computer networks	T	33	21
Accounting	F	31	27
Adequacy of computer hardware	T	30	35
Financial reporting	F	29	25
Providing staff benefits	H	21	15
Grant reporting	P	20	21
Compliance with nonprofit laws	F	20	13
Understanding the audit	F	20	15
Compliance with labor law	H	19	17
Managing payroll	H	14	10

**Collaboration.** Board members were more willing to consider collaboration in the future than Executive directors in 23 of the 25 management skills listed in Table 16. Both groups reflected a relatively high percentage of people who would consider collaborating in the external relations (E) areas or program areas (P), as opposed to the financial management areas (F).

**Table 16**  
**Willingness to Collaborate on Program and Management Tasks**

<u>Function</u>		<u>Exec. Dir</u> <u>Percentage</u>	<u>Board</u> <u>Percentage</u>
Community needs	P	48.5	43.8
Fundraising	E	45.6	54.2
Public relations	E	35.0	37.5
Service delivery	P	36.9	39.6
Marketing	E	34.0	43.8
Facilities	F	24.3	25.0
Volunteer staff	H	23.3	29.2
Strategic planning	G	20.4	35.4
Program evaluation	P	21.4	31.3
Board training	G	16.5	31.3
Board effectiveness	G	15.5	20.8
Compensated staff	H	15.5	14.6
Grant reporting	F	13.5	16.7
Outcomes assessment	P	13.5	25.0
Computer systems	T	11.7	22.9
Management team	H	10.7	8.3
Board recruitment	G	10.7	22.9
Accounting	F	8.7	10.4
Personnel management	H	8.7	12.5
Nonprofit law	F	6.8	14.6
Financial planning	F	6.8	16.7
Financial reporting	F	4.9	12.5
Managerial accounting	F	3.9	12.5
Auditing	F	2.9	10.4
Budgeting	F	2.9	14.6

**Key Financial Accountability Indicators.** Survey results discussed to this point reflect the perceptions of managers and board members about their organization’s performance. This leaves open the question of whether executive directors tend to overrate (or underrate) their performance. Another approach in assessing the management performance of nonprofit organizations is to observe or ask managers whether and to what extent they have in place certain internal controls or procedures for accountability that are indicative of a well-run organization. This is also a means for testing or validating the self-ratings of performance. We drew a list of ten such indicators from internal control and other assessment tools used by public accountants in the audit of any organization, nonprofit or profit-seeking, to assess the adequacy of financial

controls and reports (Wilson et al. 2001). These benchmark indicators are detailed in the following list.

**Table 17**  
**Key Financial Accountability Indicators**

	<b><u>Indicator</u></b>	<b><u>Positive</u></b>	<b><u>Negative</u></b>
1.	Bank statements are reconciled	82% monthly	6% never
2.	Treasurer's report is presented to the board.	62% monthly	5% never
3.	Audit by an external CPA	67% annually	21% never
4.	Evaluate mission and strategic plan	64% at least once a year	9% never
5.	Identify customers and their needs	66% at least once a year	8% never
6.	Assess satisfaction of consumers	70% at least once a year	10% never
7.	Compare performance measures to the strategic plan	46% at least once a year	26% never
8.	Calculate financial performance measures:		15% none
	<input type="checkbox"/> Actual revenues and expenses as a % of budgeted revenues & expenses	79%	
	<input type="checkbox"/> Program expenses as a % of total expenses	67%	
	<input type="checkbox"/> Contributions raised as a % of fundraising expenses	51%	
	<input type="checkbox"/> Aging of accounts receivable	37%	
	<input type="checkbox"/> Other financial performance measures	27%	
9.	Report financial performance measures to the board	65% regularly	16% never
10.	Paid no penalties or fines in the last year	90% paid none	8% paid at least one

Overall, the results reported by executive directors were positive. Roughly 2/3 of the organizations are reconciling their bank statements on a regular basis, making financial reports to the board, obtaining an audit by an external CPA, evaluating their strategic plan, assessing consumers needs and satisfaction with services, and report some financial performance measure to the board. Comparison of actual revenues and expenses to the budget is done by almost 80% of the organizations sampled. National benchmarks with which to compare nonprofit financial performance are slowly emerging, but organizations that track these indicators over time for their own organizations will have more assurance that assets are safeguarded and financial records are reliable.

Done much less often (46%) is a comparison of actual financial results to a strategic plan. This may be because the strategic plan does not identify operational outcomes, but as

organizations gain more sophistication in strategic management, we'd expect evaluation of targeted financial outcomes would be more common. Of concern, however, are the numbers of organizations that report they never take these some of these steps. Not all nonprofit organizations are required by the state or internal policies to have an audit, which may explain why 1 in 5 organizations report that an external CPA did not audit them. More worrisome, however, are the 5 to 15% of organizations that report they never reconcile their bank statements, present a report to the board treasurer, or calculate financial performance measures. The 8% of organizations that paid some type of fine may represent organizations that mistakenly thought they understood nonprofit law, or had cash flow problems that might have been prevented with better budgeting, more board oversight, or evaluation of accounts receivable.

Overall, there is evidence that organization managers are holding themselves accountable to the board and the public for the assets with which they are entrusted. These indicators provide some assurance that the high grades that executive directors awarded their organizations in the areas of financial management are reasonable, rather than over- or under-rated.

## **IV. RESOURCES AND TOOLS FOR IMPROVING NONPROFIT MANAGEMENT CAPACITY**

There is no shortage of management resources to assist nonprofit directors and boards to build their capacity to meet the organization's mission. The Management Center, a leading resource for nonprofit management support in northern California, compiled a list of over 400 management support organizations in the United States (<http://www.tmcenter.org/library/mso/>). Included are for-profit consultants, universities, large human service organizations, and some organizations that are no longer active or have merged with others (e.g., Support Centers of America). A subset of 80 of the most frequently cited nonprofit organizations actively supporting other nonprofits is presented in Appendix 4 (see website address at the top of that appendix). Each of these organizations provides a set of services to nonprofit organizations; such as, links to useful websites, frequently asked questions, organizational assessment tools, job postings, workshops and training, nonprofit consultants, group rates on insurance programs, "best practices", as well as links to academic programs.<sup>4</sup> Examples include Florida's Center for Nonprofit Knowhow and the Nonprofit Management Program in Massachusetts, both created by a local community foundation with the support of other foundations to increase the capacity of nonprofit organizations to meet their missions through information, training, and consulting. The difficulty for nonprofit managers is to sort through all these resources to efficiently locate the best methods to meet their specific needs.

That task is easier if the organization first has a clear understanding of its management strengths and needs. Several self-assessment tools are available to assist nonprofit managers and board members to answer what Peter Drucker calls the five most important questions: *What is our mission? Who is our customer? What does the customer value? What are our results? What is our plan?* (Stern, 1999). A development plan that maps human resources with management needs of the organization will be most effective if the organization has conducted some type of organizational assessment. Table 18 provides a list of some self-assessment tools specifically designed for nonprofit organizations.

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<sup>4</sup> For a comprehensive list and study of nonprofit management education see Dr. Roseanne Mirabella et al. at Seton Hall University funded by the Kellogg Foundation: <http://pirate.shu.edu/~mirabero/Kellogg.html>

**Table 18**  
**Self-Assessment Tools**

**Developer/Contact:**

The Peter F. Drucker Foundation. *The Drucker Foundation Self-Assessment Tool*. (1999) <http://www.pfdf.org>

Western Michigan University/Kellogg Foundation. *The Nonprofit Management Checkup*, by Nanette Keiser. (Fall 1999).

Management Assistance Program for Nonprofits. *Organizational Assessments (Nonprofits)*. [http://www.mapnp.org/library/org\\_perf/org\\_perf.htm](http://www.mapnp.org/library/org_perf/org_perf.htm)

*Strategic Planning for Nonprofit Organizations: A Practical Guide and Workbook*. Michael Allison and Jude Kay, (1997) John Wiley & Sons.  
<http://www.compasspoint.org/bookstore>

“Organizational Self-Assessment” in *Don’t Just Give It Away: How to Make the Most of Your Charitable Giving*. Renata J. Rafferty and Paul Newman. (1999) Chandler House Press.

The Management Center. *Nonprofit Assessment Tool*. Alice Ray  
<http://www.tncenter.org/toolintro.html>

Applied Research & Development Inc. ARDI, now housed at La Salle University.  
<http://www.lasalle.edu> and [www.nonprofitresearch.org](http://www.nonprofitresearch.org)

Learning Institute for Nonprofit Organizations. *Nonprofit Organization Assessment Tool*, pp. 36-42, presented at a PBS/United Way of America satellite videoconference January 13, 2000 <http://www.uwex.edu/li/>

Note that each of these tools express the author’s view of an “ideal” organization, so a nonprofit should carefully construct its own tool that draws upon these examples, while recognizing their unique needs. These questionnaires generally ask people to assess the organization’s skill level across the dimensions of governance (e.g., leadership, strategic planning and oversight) and management accountabilities (e.g., performance for the operational plan).

**National Reform Models.** Self-assessment of management skills is always reflective of the national trends of “best practices.” Paul Light (2000, p. 2) says these nonprofit and governmental management reform movements roll in and out in popularity and usefulness over time, like “tides”. Watchdog groups like the National Charities Information Bureau (<http://www.ncib.org>) and the Philanthropic Advisory Service of the Council of Better Business Bureaus (<http://www.cbbb.org/pas>) build templates of “best practices” that all nonprofit agencies can model. By rating nonprofit organizations as to how they match up with “industry benchmarks” or averages of comparable agencies, they trust that management best knows how to achieve its goals given they have information about their colleagues and competition. Outcomes measurement is another reform movement that is based on a belief that if organizations are liberated from regulation, then management can best make changes that will result in better performance (Williams et al., 1991). Reform movements to “reinvent government”, similarly based on the premise that good people are trapped in bad organizational systems, led to the Government Performance and Results Act (GPRA) of 1993 (<http://www.npr.gov>).

Assessment of management skills also reflect another reform philosophy—one that insists that external pressure is necessary to spur the organization on to better performance. Government and watchdog organization efforts to make the organization “transparent” are based on the belief that if donors and funders have adequate information, they will make rational “investing” decisions. Business-like practices of efficiency, such as required collaboration imposed by funders, outsourcing, mergers, and re-engineering, all follow from this view that some external economic pressure is necessary for improved capacity to meet the organization’s mission. Recent efforts by Guidestar <http://www.guidestar.org> in cooperation with the Urban Institute to make the annual Form 990 information returns readily accessible on the Internet help organizations meet the IRS’s 1990 tougher public disclosure regulations, and presumably arms the public with the information it needs to monitor nonprofit organizations.

The Internet has made these practical management resources, government regulation, and theoretical discussion about management reform much more accessible to nonprofit organizations than in the past. However, managers may feel the need for a roadmap, or portal, that helps them to navigate through the voluminous amount of information that is available. For example, there is a wealth of information about governance and board training literature from the site that describes the Carver Model of Governance (<http://www.carvergovernance.com>). The

amount of literature may be overwhelming to most nonprofit managers; thus, they might look for training, a portal, or networking with colleagues to sort through and evaluate resources for their needs.

**Local resources.** The Alliance for Nonprofit Management identifies three management support organizations (MSOs) in Michigan — the Accounting Aid Society, Jackson Nonprofit Support Center, and Nonprofit Enterprise at Work. The Management Center’s list of MSOs adds Business Volunteers for the Arts, Council of Michigan Foundations, Executive Service Corps of Detroit and Flint, Michigan Nonprofit Management Institute, and the Michigan League for Human Services. The authors’ list in Appendix 5 links to these organizations as well as several other Michigan organizations providing management resources to nonprofit organizations (see website address at the top of that appendix). Local management support centers have an advantage over more general national resource centers in that they can maintain a census of the community’s nonprofit population, monitor their management needs, and provide specialized training directed towards those needs. Local workshops and training in the community also provide the opportunity to network about governance, human resource, and program issues, as well as management issues.

Private agencies in this County have also collaborated in the recent past in the areas of human services and housing, presumably with mixed results. A variation on this type of initiative is the 1999-2002 Research Action Seminar sponsored by EMU’s Institute for the Study of Children, Families and Communities that brings professors from complementary disciplines together with community agency directors, for semi-monthly meetings at agencies’ sites, to forge relationships that lead to building and managing better communities. Many local initiatives are reflective of national models, and yet seem to be fragmented and not parts of a community plan. For example, another university student’s nonprofit technology survey is a timely data collection effort that complements technical assistance grants given by some funders, United Way’s TeamTech project, and The Boston Foundation’s technology component of its Community Building Network<sup>5</sup>, but nonprofit managers may come to resent duplicative data collection efforts.

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<sup>5</sup> The Boston Foundation: Catalyst for Community. *Report*. Summer/ Fall 1999.

## V. RECOMMENDATIONS

These nine recommendations are provided with some rationale based on the results from the survey and focus groups in this study.

**1. Fund administrative capacity building, as well as programs and service delivery.**

In focus groups we heard that if funders really want improvement in management skills, they would return to funding administrative operations, and not insist that every dollar be spent on programs. Letts, Myers, and Grossman (1999), in their treatise on well-managed nonprofit organizations, support this position by arguing that a long-term view of the nonprofit sector suggests that money should be spent on strategic planning and analysis of the dynamics of community demand for the services provided. Survey respondents concurred by indicating a high priority for governance and management skills, such as board training and recruiting and strategic planning.

Consider funding general and administrative costs with targeted management skill outcomes, so that nonprofit agencies can develop processes and procedures that will secure their ability to efficiently accomplish their missions and be accountable at the highest level for the resources entrusted to them to conduct their programs. Funding for administrative capacity could take the form of scholarships for existing programs, support for graduate nonprofit management training, salary supplements to attract “sabbaticals” for professionals to work in nonprofit agencies for a one year period.

**2. Support agency development of human resource plans for core competencies needed for managing nonprofit organizations.**

Many organizations report, via the survey, that they do not have formal training budgets, although most send people to training. Focus group respondents commented that in many organizations individuals pay part or all of their training expenses, but also define what training they want to attend. This approach may not match the management development needs of the organization. Nonprofit organizations, even smaller ones, need to have a strong sense of the management skills they need to develop and acquire, and a plan for how to achieve these competencies. "Training" programs can be designed to assist in the process of organizational self-assessment (for which there already exist a number of tools), benchmarking against a list of essential core management competencies, and

development of a plan that over time will advance the management capacity of the organization.

**3. Facilitate board member recruitment and expand the pool of board members.**

Although the study did not ask each board member how many boards he or she served on, input from the focus groups and the investigators' own experience in the community suggests that there is a relatively small pool of board members who actively participate in governing organizations. Focus group participants were not enthusiastic about past collective efforts at community wide recruitment for nonprofit board members. New approaches are needed. One may be to establish a nonprofit service bureau and mentoring program as described in recommendation number nine.

**4. Support board training (both on general responsibilities and on specialized topics).**

General training. Both directors and board members rate board training at the bottom in terms of performance. Recent and well publicized "break downs" in board oversight of nonprofit management dramatize the risks involved in board members not understanding their fundamental fiduciary responsibility and the essentials of nonprofit management. Only 12.5% of board member respondents reported receiving any outside training for their roles. A community support center could prepare and make available "guidesheets" to be inserted in board orientation notebooks on topics such as fiduciary responsibility of boards, nonprofit law, investment and spending policies.

Specific expertise training. Survey results show that selected board members acting as non-paid consultants are significant sources of management expertise for nonprofits. For example, many of them are providing advice on accounting and financial management. This source of management expertise might be made even more valuable and effective if these people had specialized training in accounting and financial management for nonprofits organizations - which is different from the training most of them have received for working in for-profit organizations.

**5. Invest in computer and Internet connectivity for just-in-time delivery of information and skills.**

Support nonprofits in connecting to the Internet, email and listservs as an efficient way to network and gain expertise from their colleagues. For example, a local listserv could connect funders, agency directors, researchers in an efficient sharing of questions, and

pooling of resources, and experiences and expertise. This support should include full or partial payment for purchase of up-to-date hardware and software, monthly Internet service provider fees, and training. Too many nonprofits are trying to operate on donated but out-of-date machines.

Many managers report using the Internet, and it was the one variable that was positively and statistically significantly correlated with the self-assessment by executive directors of management performance. As the study revealed through focus groups, some nonprofit managers who are connected to national affiliates are already using e-mail and listservs to connect to peers to share problems and solutions, to pick each others brains, to extend their management skills and knowledge. Such connection can also supplement and increase the effectiveness of traditional training by providing something of what focus group participants told us they valued highly about the longer, more than one day, training sessions (identified as the survey as the most preferred format); that is, the opportunity to reflect, consolidate, plan for back-home application, and to problem solve with peers.

**6. Provide support for longer training programs for agency directors (e.g. an overnight retreat in a local setting) so they have time to reflect, plan, and network with colleagues.**

Directors reported that they need time away from the activity and stress of the office to “process” the information they gain from training, and develop strategies to use that learning in the organization. There is also much learning that comes from networking with colleagues in less formal settings where there is time to exchange ideas and best practices. For example, many directors reported that annual industry conferences provided the best development for the effort expended, although many small organizations may not have these affiliations.

**7. Support a local management support center that maintains a census of local nonprofit agencies, targets specialized training to develop management competencies, and serves as a gateway to Internet management resources.**

It took a considerable amount of effort to identify all of the nonprofit organizations in Washtenaw County, verify locations and directors, determine whether they were active or not, and then classify them by tax exempt status and mission. This “census” was

necessary in order to reach those organizations best able to provide insight on the research questions of this study. An up-to-date database of information about community tax-exempt organizations would be useful to other researchers, funders, and trainers who target different subsets of the County's nonprofit sector for other purposes. One specific benefit of a database of the nonprofit community market is that workshops and training programs can be customized to serve the particular needs identified by managers of clusters of nonprofit agencies. For example, small nonprofit organizations, such as parent/teacher organizations or youth sports programs, that on the surface appear to serve only their small group of members, still need management and governance training because missteps that land them in court or in the press have dire consequences for all community organizations.

In this study, directors and board members were closely aligned in their management performance ratings and priorities indicating they knew what skills they needed to develop. However, some focus group participants described frustration with how training for those skills was delivered. They reported frequently discovering that a workshop was too advanced, too broad, or too elementary to meet their needs. Since longer workshops were preferred to half-day formats, perhaps a set of half-day workshops on a specific management skill, with more detailed descriptions of the level and intended audience of workshops in the advertisement may more effectively increase the capacity of the whole sector to meet the community's needs. A support center or community listserv could also serve as a gateway to the wealth of nonprofit management resources and training material that is available on the Internet.

**8. Support collaboration efforts with training and consultation so that goals are clear, management functions with the highest probability of impact are targeted, and measurable outcomes are identified.**

There are relatively low levels of collaborative experience in the areas of management, and even in the area of service delivery where local nonprofits have the greatest amount of experience with collaboration, there are mixed feelings about those experiences. While the majority of those who have collaborated are willing to do so again in the future, many are not. Many organizations felt that "forced" collaboration just asked them to do more with less, and they would not have pursued collaboration in the

absence of the funders' demands. Some nonprofits are not comfortable with collaboration when they view themselves as being in competition with potential collaborators. Willingness to consider collaboration in the future varies significantly depending upon exactly what areas of management activity are being proposed.

If funders support collaboration as a management strategy with explicit goals for specific areas of management activity, then we expect a higher probability that the management capacity of the organization increases. Initiatives to promote collaboration should recognize that the success of collaborations, particularly in the areas of management, depends on the size, experience, and organizational culture of the partners (Boris and Steuerle, 1999). Any systematic initiative to promote collaboration should draw on what we know about how to improve success, and provide training and consultation to the collaborators.

**9. Support a "nonprofit service bureau" that brings specializes professionals together with nonprofit managers and board members.**

A resource that stands somewhere between workshops and paid consulting is a program of volunteer hands-on support for a specific project in a particular nonprofit organization. Such a program would be organized and run by several experienced professionals with a range of expertise in various aspects of nonprofit management. The service bureau would identify projects, broker between the nonprofit organizations and volunteer professionals from regional businesses, professional firms, universities, other nonprofits, and retired professionals. The volunteer professionals are mentored on specific management related projects in a nonprofit organization. While providing a management service to a specific nonprofit organizations and building their expertise, the experience also serves to create a pool of people that would make good board members at the organization they serve or another one. A variant is a community listserve could prove to be an efficient way to share local expertise; for example, "Ask the lawyer" on Mondays, and "Ask the public relations expert" on Tuesdays, and so on.

## VI. CONCLUSIONS

We found nonprofit managers and board members to be in agreement about their strengths and priorities for improvement. They generally give the organization high marks for financial management and indicate they need improvement in governance skills and external relations. Directors were articulate in focus groups about what training was most effective for improving management competencies and, in the survey, described how they use paid consultants and volunteer board members as resources for specialized skills. They have collaborated in delivering services and are willing to in the future, yet shared concerns with us about forced collaboration in management areas.

We found the nonprofit community in Washtenaw County to be diverse and larger than first expected. The management issues identified by focus group participants were common to the others, despite differences in size or mission. These directors had held their positions for a considerable time, were articulate in describing the issues, and forthcoming with recommendations that would lead to more capacity to meet their missions and strengthen the nonprofit community.

The information we gathered from the County's nonprofit executive directors and board members, and our review of the nonprofit management capacity literature, led to the nine recommendations. Each initiative now requires a "champion" to take responsibility for creating an action plan that costs each of the activities in the plan. An attempt to evaluate the costs and benefits of these initiatives by someone other than the one invested in and responsible for the plan's performance is premature and would result in mere guesses. The County's funders, including the 78 grant making foundations, could direct grants and contracts to the business community, academic centers, and nonprofit support organizations in the County restricted for these specific initiatives. For example, a nonprofit management academic program can assist in creating human resource plans to develop core competencies (#2), local communication businesses might be best suited to meet the technology initiative (#5), the NEW Center may be best situated to maintain a census of nonprofit organizations (#7), a university's management program can be charged with developing collaboration objectives and parameters (#8), and an executive service corps could coordinate a nonprofit service bureau (#9).

The insight we gained sharpens our focus on coordinating interdisciplinary research and training projects at the university. For example, we revived a proposed graduate certificate in nonprofit management at Eastern Michigan University designed to develop nonprofit management competencies. The authors will present a paper resulting from this study at the ARNOVA (Association for Research in Nonprofit Organizations and Voluntary Associations) Conference in New Orleans in November 2000. We have also submitted a research proposal to the Aspen Institute's Nonprofit Sector Research Fund — Michigan Project to further explore the use of the Internet by nonprofit organizations in developing management skills based on the results of this study. The considerable data we have will be useful in future studies of differences across organizations with respect to their missions and size, as well as their stage of life.

We hope the Executive Summary succinctly describes the purpose, methods, results, and conclusions of the study and can be disseminated by the study's sponsors in ways they find most effective.

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## METHODOLOGY

This section provides more details about the Methodology Section II. An introductory letter about the study and the researchers was sent to all participants on February 9, 2000 signed by the Nonprofit Capacity Building Advisory Committee asking for organizations participation.

Sample: EMU student assistants made numerous phone calls to identify the correct name and address of executive directors and board presidents before surveys were mailed out. We spent 10 hours at the State of Michigan's Corporate Division in Lansing verifying whether nonresponding organizations were still active, as well as using Internet databases, such as [www.guidestar.org](http://www.guidestar.org), [www.comnet.org](http://www.comnet.org) and [www.nccs.urban.org/990](http://www.nccs.urban.org/990).

Focus Groups: The protocol for the first focus group was previewed with twenty faculty and nonprofit agency directors participating in EMU's Center for Community Management and Building – Research Action Seminar on February 9, 2000. Three rounds of focus groups followed, all held in a comfortable setting in EMU's McKenny Union with light refreshments and paid parking. Participants agreed to be tape recorded and transcripts were reviewed the next day. Confidentiality was assured for all parts of the study, and discussions were enthusiastic.

<u>Date and Participation</u>	<u>Purpose</u>
<b>Round 1:</b>	Provide input into the characteristics of well-managed and poorly-managed organizations in development of the survey instruments.
March 2, 2000; 7:30 – 8:30 pm 6 directors, 3 EMU staff	
March 6, 2000; 11:00 am – 12:30 pm 7 directors; 3 EMU staff	
March 9, 2000; 3:00 – 4:30 pm 6 directors; 6 EMU staff	
<b>Round 2:</b>	Review preliminary results of the survey data to ensure questions were interpreted as intended, and to interpret results.
June 14, 2000; 12:00 pm – 1:30 pm 5 directors; 4 EMU staff	
<b>Round 3:</b>	Interpret results and discuss existing resources for improving nonprofit management skills, and identify impediments that prevent organizations from taking advantage of resources
June 20, 2000; 11:00 am – 12:30 pm 6 directors; 4 EMU staff	
June 21, 2000; 3:00 pm – 4:30 pm 5 directors; 4 EMU staff	

CAPi: Computer Aided Personal Interview software was employed. Participants received a copy of the survey on a disk to be used in a PC and returned to the researchers in a postage paid mailer. The software allows respondents to quickly jump over questions that were not relevant, for example, follow-up questions to “yes” answers when “no” was answered. The survey made it clear that responses would be held in confidence and results would not allow individual organizations to be identified. Disks were then read into an SPSS data base for analysis and descriptive statistics (mean, median, range) were reported in the paper. Correlations and tests of significance were useful in drawing inferences, but not reported in the narrative.

Performance ratings: Ratings were recorded on a scale of 4.0 (A) to 0.0 (E) with mean grades calculated to two decimal places; and then reported as letter grades using standard university conversion scale; for example, A is 4.0, A- is 3.7 to 3.9, B+ = 3.3 to 3.6, and so on.

**ABOUT THE RESEARCHERS**

Dr. Sue Kattelus, Project Director, is an accounting professor in EMU's College of Business teaching public and nonprofit sector accounting. She is a CPA, a certified governmental financial manager (CGFM), and co-author of the leading text on governmental and nonprofit accounting *Accounting for Governmental and Nonprofit Entities*, 12<sup>th</sup> ed. Irwin/McGraw-Hill, 2001. She is chair of the Nonprofit Committee of the Michigan Association of CPAs and Education Chair of the Governmental and Nonprofit Section of the American Accounting Association. She directs her students in service learning projects the results of which have built the "Frequently Asked Nonprofit Accounting Questions" portion of the Nonprofit Service Bureau portion of her website [http://www.online.emich.edu/~acc\\_kattelus](http://www.online.emich.edu/~acc_kattelus) Contact: 734.487.3305 or [Susan.kattelus@emich.edu](mailto:Susan.kattelus@emich.edu)

Dr. David Clifford, Project Co-Director, is an Associate Professor of Health Administration at EMU and the Director of the Institute for the Study of Children, Families and Communities. He teaches courses in Health Care Planning, Health Care Decision Making, the American Health Care System, and Mental Health Policy and Services Management. For ten years he served as the Director of Research and Evaluation, and later the Director of Planning, Budgeting and Evaluation for the Washtenaw County Community Mental Health Center. He has been a volunteer, consultant, and board member with number of community based organizations. His recent research focuses on the ability of community based health care organizations to survive and transform themselves in an increasingly competitive and consolidated managed care environment. Contact: 734.487.0372 or [David.clifford@emich.edu](mailto:David.clifford@emich.edu)

Dr. Bruce Warren, Project Consultant, is Director for Research and Program Development at the Institute for the Studies of Children, Families and Communities (ISCFC) and Professor of Sociology at Eastern Michigan University. His recent work and interests focus on building university/community partnerships; local problem-solving partnerships among governmental and nonprofit organizations; action-research involving consumers of research in the planning, conducting and analyzing processes of the research; and evaluation of human services and educational programs. He has been project administrator or project director for projects funded by federal, state, and local agencies dealing with these issues. contact: 734.487.0372 or [Bruce.warren@emich.edu](mailto:Bruce.warren@emich.edu)

Peggy Wienczek is a Research Associate at the ISCFC at EMU. She has designed several research instruments constructed to determine strengths and needs of a variety of nonprofit and governmental organizations' provision of services to their clients, as well as supervised staff implementing these surveys in research projects described in more detail in Exhibit 7 "About the Institute." Her expertise includes statistical analysis and reporting. Contact: 734.487.0372 or [peggy@iscfc.adminsrv.emich.edu](mailto:peggy@iscfc.adminsrv.emich.edu)

## ABOUT THE INSTITUTE FOR THE STUDY OF CHILDREN, FAMILIES AND COMMUNITIES

The Institute was established twenty years ago by an appropriation from the State of Michigan to Eastern Michigan University to establish an institute with a mission that includes conducting basic and applied research; providing consultation to agencies and organizations dealing with children, families and communities; developing demonstration programs to test and implement new knowledge related to serving children, families, and communities; and developing noncredit educational activities, such as conferences and workshops related to these areas. The Institute is organized into five units: The Applied Research Center, The Center for Community Building and Management, The National Foster Care Resource Center, Academic/Service Learning Programs, and Publications and Dissemination Unit.

The Applied Research Center focuses on data collection/analysis and on program evaluation. It has a Computer Assisted Telephone Interviewing (CATI) facility for conducting telephone interviews. It also has the capacity and experience in conducting face-to-face interviews, mail surveys, computer assisted personal interviews (CAPI), focus groups, and analysis of case records. Analysis capabilities include statistical analysis, textual analysis, and geographic information system mapping.

The Center for Community Building and Management focuses on helping neighborhoods and communities build on existing assets to improve the lives of their residents. It works with agencies, organizations, governmental units, and collaborative ventures using a problem-solving approach to address local issues. Emphasis is on using an action-research approach to collect and analyze information in developing responses. The Center's approach is multi-disciplinary and integrative. The Center's faculty includes backgrounds in Anthropology, Applied Sociology, Health Planning, Accounting, Political Science, Occupational Therapy, and Architecture and Planning.

***The Institute's Previous Relevant Experience.*** Training and research projects conducted by the Institute include (1) the SAFE ANCHOR project, a three-year grant from the National Institute for Child Abuse and Neglect, HHS to Washtenaw county FIA and the University focusing on training through collaboration amongst all agencies and public and private organizations that were concerned with families with child abuse and substance abuse issues, (2) technical assistance and consultation to the Washtenaw Family Service Collaborative Council (WFSCC) in several areas including organizational design, development of its five year plan, and in extending its County Prevention Plan to include action steps. (3) technical assistance to three communities (Albion, Taylor, and Ypsilanti) in conducting problem solving partnership initiatives lead by the local police department in partnership with a local public or nonprofit organization using federal funding from the Community Oriented Policing Services (COPS) Office, Department of Justice, (4) a needs assessment for the Women's Resource Center for Livingston County regarding women and issues of alcohol and other drugs, and (5) an assessment of public foster care agencies for the Office of Children and Family Services for the State of Oregon involving almost 3,000 telephone interviews with foster care workers, certifiers, foster parents, and other collateral professionals concerning the care of 937 children in foster care.