IS PLANNING IN NON-PROFIT ORGANIZATIONS: AN EXPLORATORY STUDY

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ABSTRACT

Information systems (IS) play a critical role for non-profit organizations. The literature is full of studies that provide examples of IS usage in non-profits but the issue of IS planning and success in non-profits has received little attention. In this study results from 96 non-profit organizations in southeastern Wisconsin are used to highlight the role and significance of IS planning in these organizations. Further the impact on organizational success is also reported and analyzed.

Keywords: Non Profit Organizations, IS planning, IS success, Organizational success.

INTRODUCTION

Non-Profit organizations (NPOs) play a very critical role in civilized society. The nature and scope of their activities may vary considerably. Among other things NPOs are involved with implementing programs and policies that help improve the living conditions of weaker sections of society, executing programs developed by governments, acting as a watchdog for society and providing education to people in communities etc. While the scope of activities provided by these organizations may be limited to a specific geographic area in some cases there are organizations that operate in an international arena. Funding for these organizations comes from multiple sources such as the government, public and private companies, foundations and individuals. As state and national governments limit their spending on socio-political and economic development, non-profits will become key organizations of the future. Drucker (4) comments "only the social sector, that is, the non governmental, non-profit organization, can create what we now need, communities for citizens-and especially for the highly educated knowledge workers who increasingly dominate developed societies."

Like for-profit business organizations, NPOs can benefit tremendously from using information systems. Information systems if used appropriately and effectively can help NPOS in multiple ways. Internally information systems can be used to manage organizational resources, track donors, maintain financial records, and monitor activities that lead to greater efficiency and productivity. Externally information systems can be used to provide information about services to people living in a community, enable people in a community to seek help when they hesitate to meet face-to-face, elicit funding, and provide transparency of operations that enables donors and government agencies to monitor spending. To achieve these objectives non-profit organizations need to plan for information systems in their organizations.

Information systems (IS) planning is a critical issue for IS management (2). Though most studies on IS planning have focused on for-profit organizations, Sabherwal (9) studied the relationship between IS planning sophistication and IS success in one type of NPOs, universities

in the US. Burt & Taylor (3) point out that little has been studied regarding the importance of IS planning and its effect on the success of the nonprofit social services agencies where the effective and efficient use of technology typically has not been extended beyond the administrative and operational mode. In this study we address the following question:

What is the role and significance of IS planning in NPOs and what impact does it have on organizational success?

INFORMATION SYSTEMS AND THE NON-PROFIT ORGANIZATION

Information systems, especially web-based information systems, can play a critical role in NPOs. Providing rich information on a NPOs website can help these organizations in extending their reach by making it easy for people to access relevant and timely information. Soliciting funds can be easy as people will be able to overcome their hesitation of committing on the phone or at a public meeting. It gives them the opportunity to read the information in their own time and comfort zone. As pointed out by Drucker (5) "the impact of the Internet may be much greater on the nonprofits than on for-profit businesses." The decision for a NPO is not whether to build an information system using the Internet, rather "today's challenge is how to effectively align their Web sites with the organization's mission and communications strategies Barnett and Barnett (1)."

Well-designed information systems provide NPOs among other things a valuable fund-raising tool (1, 6, 12), means to educate people and build relationships (1, 6), promote their organization to a younger and tech savvy audience leading to possibly increased support (1, 6), build online communities (1), improve internal & external communications (1, 12), and potential exposure (12). In achieving these benefits key challenges faced by NPOs include limited cash availability (6, 7, 11), lack of technically qualified people willing to work in non-profit organizations (7) and hesitation to build websites that may alienate some of the older and conservative donors (6). NPOs can capitalize on the slowdown in the IT market by attracting technically qualified people who can help in designing and developing information systems. McCarthy (8) lists examples of CTOs (Chief Technology Officers) with "stellar private industry experience" that have joined nonprofit organizations in the recent past. Working for an organization that serves the local community can be an appealing proposition for a lot of people.

Most of the studies on IT usage in non-profits is limited to larger NPOs. One reason highlighted by Spenser (11) is that "80% of all non-profit assets are held by only six percent of all non-profit organizations." While funding will always be an issue for NPOs, especially the ones serving smaller communities, forming partnerships with technology vendors can help alleviate some of the problems. McCarthy (8) states that "the low IT budgets of many nonprofit organizations lead CTOs to forge creative partnerships with charitable benefactors, often some of the most visible technology vendors. The result has been the creation of innovative strategies to dispense information and aid to the needy." Organizations such as CompuMentor (http://www.compumentor.org/) assist NPOs with technology related issues and can be a very useful resource for NPOs. Though there are plenty of studies that either provide examples of IS usage, especially Web-based, in NPOs or benefits and challenges of using IS in NPOs, there is hardly any study that addresses the issue of planning for IS in these organizations. In this study we hope to fill this gap by addressing the research question listed in the previous section.

RESEARCH METHODOLOGY

Constructing the Survey

A survey was developed to collect data from the nonprofit agencies. The measures used in this study's survey were derived from a variety of sources. Measures for IS planning sophistication and IS success were used from Sabherwal's (9) study that measured these variables for the nonprofit academic environment. Some of the questions were slightly modified to adapt them to the current study. Three additional measures of organizational success for nonprofit organizations proposed for this study are based on research conducted by Sawhill and Williamson (10). They established the three generic measures, impact, activity, and capacity for nonprofit institutions, which includes social services agencies. Two open-ended questions were added to the survey to help gain further insights in interpreting the results of the respondents. Also, questions related to the organizational demographics were incorporated to help organize the results. Finally, two questions were included to obtain a copy of the organization's mission statement, if one exists.

Collecting data from Nonprofit Organizations

The survey was mailed to eight nonprofit agencies in a pilot effort to ensure that the directions to complete it were concise, the questions were clear, and that it could be completed in a reasonable length of time. Eight of the pilot surveys were returned. No significant changes were made to the format of the survey as a result of the responses and feedback. The list of nonprofit social service agencies used for this study was compiled using information obtained from articles that appeared in the Milwaukee Journal-Sentinel, a mailing list obtained from the Executive Director of a volunteer agency in Racine County, a volunteer coordination agency's newsletter, personal knowledge, and www.Guidestar.org. This list was used to distribute the survey via the U.S. Mail to the Executive Director (or comparable position) for 375 nonprofit agencies in southeast Wisconsin.

RESULTS

Surveys were mailed to 375 non-profit organizations in Southeast Wisconsin. Of the 375 distributed, 110 surveys were returned and the following adjustments were made to remove surveys deemed to be invalid:
   ♦ 4 surveys were discarded because the agencies responding did not qualify as nonprofits under IRS statute 501(c)(3)
   ♦ 1 survey was a duplicate
   ♦ 9 surveys contained incomplete responses.

Data Analysis

The number of usable surveys was 96 for a response rate of 25.6%. Descriptive statistics (frequency analysis) was the method used to analyze the data collected for this study. In the following sections we present and discuss the results.

IS Planning Sophistication

Sabherwal (9) defines IS planning sophistication as "the extent to which (an organization's) planning process helps create opportunities for information systems to make a strategic contribution in the organization." Differences between nonprofits and for-profits have also been discussed and one of the conclusions was that despite differences, nonprofits do share some characteristics with their counterparts in the for-profit world. One of the shared characteristics previously identified is a strategic plan. The first five questions on our survey are an attempt to better understand the level of IS planning sophistication in nonprofits.

The question "How formalized is the information systems planning at your organization?" (Q1) stands out within the group of planning sophistication questions. More than two-thirds (68.1%) of the respondents indicate that there is a formal IS planning process in their respective organizations. This shows that NPOs are aware of the significance of IS planning and have formal planning processes in place. When asked about the extent that IS planning takes into consideration the organization's future plans more than half (59.6%) of the respondents said it was high. This shows that the respondents do realize the significance of aligning IS planning and organizational planning which in turn leads to achieving organizational goals.

Approximately 63.8% of the respondents said that top management is involved in the IS planning process. When asked about top management's awareness of information technology 56.3% of respondents said that their top management is aware. These results indicate that not only are top managers aware of information technology, they are actively involved in IS planning which ensures that plans are implemented and chances of success are high. This is a very encouraging result as studies in for-profit organizations have often shown that getting top management involvement is very challenging.

More than three-fourths (75.4%) of the respondents said that their IS manager is knowledgeable about the organizational long term plans. This indicates IS leaderships awareness and ability to align technology and organizational goals leading to fulfilling their missions and strategies.

An analysis of responses to one of the open-ended question which asks for thoughts on the importance of incorporating IS into organization planning appears to indicate a wide range of understanding and expectation of IS planning activities. For example, one response states that "using technology as an element of planning has become routine, as in: will data base help? Should this be on a website? Can we use e-mail rather than postage $ for communication and also have a receipt?" The thought process here appears to be driven by the nonprofits organizational needs and incorporates information technology in a targeted fashion to enhance mission impact. This is a sophisticated user of information systems but contrast their response with one who states "I believe it is critically important, but it needs definitions, in-service, vision and training before it can be evaluated. We aren't truly at the definition stage." This response seems to indicate an awareness of the potential of IS planning which could simply be attributed to the respondent's general knowledge about information systems as derived from personal experience and general publications.

Another example of awareness, but with a very focused application, comes from a respondent who views the importance of incorporating IS into organizational planning as "Extremely critical in order to successfully communicate and receive feedback on agency strategic plan and vision. Resources such as people must be in support of any system to be successful." Again, there are elements of a well-developed strategy as well as an awareness of information systems present in this response but the response also appears to be equating IS planning with a specific technology (email) directed at improved collaboration efforts. The expectation is certainly valid but it's also very focused and doesn't seem to recognize the strategic value of recognizing IS as an integral component of the organizational planning process.

Organization Success

IS should provide benefits to an organization to justify its existence and use. IS can contribute to a for-profit or nonprofit organization's overall success by:
- Distinguishing the organization from similar organizations
- Improving efficiency
- Providing a competitive advantage
- Enhancing the organization's reputation

However nonprofits have an "ambiguity of performance" that typically does not apply to for-profit businesses. For nonprofits, the true ROI is best measured by impact, activity, and capacity measures because these capture a nonprofit's organizational performance in obtaining organizational success (that is, accomplishing its mission). Eight questions were used to assess the impact of IS on organizational success. Five concentrated on the benefits common to the business sector while three concentrated on the family of measures (impact, activity, capacity) that are unique to nonprofits.

The results indicate that nonprofits believe IS makes a high contribution to overall success. The comments provided to the open-ended question (specific examples of where IS has contributed to organizational success) lends some insights as to how IS provides operational and efficiency benefits. These include: "allowing individuals to be more productive", "accurate attendance taking", "one person can do more tasks (reduced costs)", "staff has become more efficient word processing, data entry, retrieving reports, etc.", and "facilitates scheduling". This notion is further supported by 68 percent of respondents indicating that IS improved the efficiency of internal operations to a high extent.

Focusing on the ROI measures specific to the nonprofits (impact, activity, capacity) also provides some indications as to how IS contributes to the overall organizational success. Respondents indicated that to a high extent IS helped tracking staff activities that achieve goals and implement programs (activity measure). Again, comments from the open-ended question supported this rating. Examples of the comments: "tracking our clients job history and salaries", "tracking student test scores", "tracking staff hours spent on various activities", and "tracking clients served and the services they utilized". Interestingly, not many respondents indicated a medium level impact for this question. This could indicate they clearly understood the question and had a distinct opinion. The response to capacity measure, which measured the extent IS helped in tracking the mobilization of resources needed to fulfill the mission, leaned toward the

high extent rating though not strongly as only 47 percent indicating it had a high impact. The same is true with impact measure, which measured the extent IS helped in tracking the success of the organization in achieving its mission and long-term objectives, where 46 percent indicated it had a high impact. As noted earlier, impact measures are the hardest to assess (10). The results for this question may imply that the respondents had a hard time answering this because it is a rather broad yet complex question.

In summary, it appears that IS does contribute positively to organizational success from an operational and efficiency perspective. IS also has a slightly high impact on organizational success is helping the organization accomplish its mission and long-term goals. As organizations grow due to success, it becomes more critical to their overall health and survival to exploit IS. Given that nonprofits see some good benefit from IS, it should make them more interested in IS as a function, and thus more involved in its planning. Formal planning in the nonprofit sector is not as extensive as in the for-profit sector.

Nonprofit upper management should continue to turn to IS for efficiency improvements. The survey responses show that this is happening, but there are more gains to be made in the area of reducing administration costs. In addition, nonprofits should look for ways to employ IS to help accomplish mission and long-term goals. Including IS management in organizational planning sessions will help in this area. Further, nonprofits like to show low general and administrative (G&A) overhead costs to show contributors that most of the money they give is going directly into programming. But low G&A costs may indicate a low performance environment. Nonprofits have to invest in their infrastructure to successfully implement and execute their programs. This investment can include the additional "overhead" costs of IS. The payback, or ROI, for the infrastructure investment will be found in the contributions IS makes to the overall organizational success.

CONCLUSION

In summary, the responses received to our planning sophistication questions seem to indicate that nonprofits recognize the importance and potential benefits of including IS in their organizational planning process. The fact that responses to a formalized IS planning process are lower than the average response pattern of other planning sophistication questions could be due to the fact that there are limited resources to devote to anything beyond the day-to-day requirements of a nonprofit. The resource information solicited as part of the study's demographic data could possibly provide additional insights into the results recorded for this question.

This study has collected some valuable data and the analysis that has been offered is very useful for NPOs that serve smaller communities. The results should however be viewed with caution as other factors may be at work here. For example, smaller nonprofits may be less technologically sophisticated and therefore have less sophisticated planning and less impact on organizational success. Also, ROI is a difficult concept to apply to nonprofits. We introduced one way of measuring ROI and asked nonprofits to relate it to their organization. It is possible that nonprofits haven't given much previous consideration to relationship between IS planning sophistication and organizational success before filling out the questionnaire. Capturing the change in both variables over time may be of interest. That is, has planning sophistication

increased over the past 5 years?   Has the extent that IS has helped organizations increased at the same rate over the same time?

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