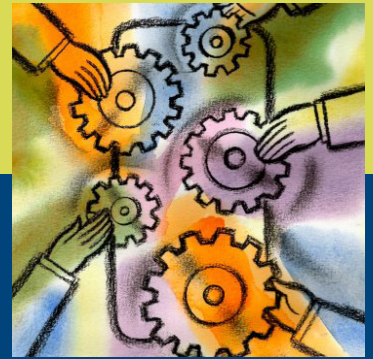


ADMINISTRATIVE MANAGEMENT CAPACITY IN OUT-OF-SCHOOL TIME ORGANIZATIONS: An Exploratory Study



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Executive Summary

Recent studies have indicated the importance of out-of-school time (OST) programs in providing development opportunities and enhancing quality of life not just for program participants but for their families and communities.¹

Research and investments meant to understand and strengthen OST-providing organizations have generally focused directly on the programs and services these organizations offer, with less attention directed to the administrative *management* capacity of OST providers. While ensuring the quality of OST programming is no doubt of paramount concern, strong and proactive management practices enable agencies providing effective programs to enhance their effectiveness, expand their scope, and better serve greater numbers of young people.

To begin to address this under-explored subject, The Wallace Foundation commissioned Fiscal Management Associates (FMA) to conduct a study into the management capacity and needs of organizations providing OST services.

Our report outlines the results of a study of 16 organizations identified as providers of high-quality OST programming in New York City and Chicago, in which we have attempted to identify common concerns and challenges in these organizations' capacity to manage themselves as the small to large businesses that they effectively are.

This study seeks to identify needs in the management capacity of OST-providing nonprofit organizations, including investigation of certain key operational areas: financial and human resources management, information technology, and (to a lesser extent) facilities management.

Our central research question, therefore, is a broad and open-ended one: What are the most critical management capacity needs being faced by organizations providing OST programs? And, by implication: Which investments in capacity-building could provide the greatest impact in enhancing organizations' abilities to manage, and ultimately even expand or replicate, their OST programs?

The study found that many organizations lack the financial resources to invest significantly in administrative staff, facilities needs, IT infrastructure and support, and transformational purchases such as improved space.

It should be noted that the study does not support the notion of OST-providing organizations on the *brink of collapse* from feeble administrative infrastructures. In fact we found that organizations can basically "muddle through" on thin margins and limited resources, although frequently being forced to operate in a crisis management mode. But there are prices to be paid for this type of operation.

We found that program staff are required to do more "administration" to make up the gaps in administrative infrastructure and support. A strong example of how this plays out is the high number of Program Managers who are responsible for recruiting and selection processes (and in some cases even site maintenance and cleaning). This diverts time from activities more directly focused on ensuring the quality of the programs themselves.

¹ See, e.g., "Building and Sustaining After-School Programs: Successful Practices in School Board Leadership." National School Boards Association, 2005. Susan J. Bodilly, Megan K. Beckett, *Making Out-of-School Time Matter: Evidence for an Action Agenda*. RAND, 2005.

Finally, we concluded that the larger impact from working within this under-resourced administrative management environment is the limits it places on organizations' leaders' ability to be forward-looking and truly strategic.

Our **key findings** are below, broken out by areas of focus (Financial Management, Human Resources, Information Technology and Facilities).

Financial Management

- **Government contract compliance is a formidable challenge and requires significant time and effort to manage.** The intense focus required to maintain the volume of contract reporting obligations combined with low administrative reimbursement rates inhibits organizations' financial decision-makers from having the time to plan and act more strategically.
- **Many organizations are operating on a thin margin of cash and their ability to manage cash is critical.** For reasons including delays in the timing of contract payments, some organizations must closely and continually monitor their cash position in order to ensure their ability to meet their payroll obligations and make necessary purchases.
- **Not enough attention is being given to program-based budgeting and monitoring.** Several of the organizations in our sample develop their overall budgets as an aggregation of *contracts* rather than a collection of *programs and services*. As a result, it is difficult for them to fully understand and act on the true costs of providing program services. This has the potential to impact ability to recoup costs on reimbursement-based contracts as well as limiting strategic capacity concerning the financial impact of program decisions.
- **Accounting software is not itself a concern, but data indicates that some systems are not being utilized to their full capacity.** In general, the organizations in our sample are equipped with adequate accounting software systems, but limitations in the budgeting process discussed above also limit the usefulness of financial reports produced regardless of the adequacy of the tools used to produce them.
- **Many organizations are experiencing a shortage of skilled finance department staff.** Several organizations in the study expressed concerns over a chronic shortage of finance staff. Many point directly to funding issues and resource constraints on the ability to hire adequate numbers of skilled finance staff. Given that not-for-profit accounting is a specialized skill set that is not even widely distributed throughout the accounting profession nor a primary focus of most academic preparation for accountants, these staffing challenges are unsurprising.
- **Boards are structured to perform appropriate financial oversight of their organizations.** While we found that most organizations' boards are set up to provide appropriate governance and to exercise their fiduciary responsibilities, we recommend further investigation and possible investment into the board role in proactive and strategic planning, particularly given organizations' own challenges in reaching this level of financial management.

Human Resources

- **There is often insufficient HR support due to lack of staff and staff working *out of area* performing HR responsibilities.** Many organizations cite lack of staff support as their critical challenge in effective HR management. Often, staff members from other administrative and even program areas are performing human resource tasks, which causes concern both because of their lack of training and specialization in this area as well as the diversion from their own administrative or program responsibilities.
- **There is a lack of effective systems and processes for HR data management in many organizations.** Many of the organizations in our study maintain manual systems of human resource record keeping, both decreasing efficiency in processing HR records as well as limiting the capacity for monitoring employment data for more strategic purposes.
- **Most organizations have developed orientation and “talent management” programs.** Most of the organizations in our sample have systems and programs in place to ease the entry process for new employees and to set and monitor goals for staff. In general, this appears to be an area of solid commitment and capacity for most of the OST-providing organizations in our sample.
- **Organization leaders express concern regarding the competitiveness of compensation levels.** While most are monitoring their salary structure and its relation to the broader labor market, and some have taken steps to mitigate internal salary inequities, many OST-providing organizations feel that resource constraints cause their own organizations’ salary levels to remain uncompetitive.

Information Technology

- **Organizations appear to have adequate capacity to provide for basic organizational IT needs, including access.** With a few exceptions, the organizations evaluated do provide staff with access to necessary software systems and maintain a level of IT centralization. Data indicate that the IT staff and consultants working for these organizations are largely successful in minimizing network downtime.
- **Many organizations cite a lack of resources for IT infrastructure and training needs.** Many of the organizations in our sample feel that they are not able to invest adequate resources to meet technology needs beyond a level of basic functionality. When asked to describe their most significant challenges in the IT area, staff of six of the organizations in our sample also mentioned the issue of training in IT.
- **Research reflects a lack of sufficient strategic and long-term planning around the IT function.** Data from our sample indicates that some organizations may not be devoting enough resources to proactive *planning* around the IT function, in terms of planning for equipment and software updates as well as the overall strategic role of information technology in the organization’s program and administrative infrastructure.
- **Many organizations are limited in using IT to streamline internal data collection and external reporting processes.** Data indicate that the majority of organizations are not employing a fully centralized client tracking database, which could increase efficiencies

in required program reporting as well as providing information about the organization's program services that could be used for strategic management purposes.

Facilities

- **Space limitations are a challenge.** Representatives of seven organizations indicate that the space shortages are a concern for the programs currently operating, indicating the possibility of a *physical* limitation to further program development or expansion.
- **Providing adequate maintenance, including ensuring the security, safety, and cleanliness of program facilities, is a challenge.** Data indicate that each of the 16 organizations in our sample operates after-school programs in multiple locations. Especially for those organizations that operate programs in rented or donated space, lack of control over the maintenance of the facilities, adequate security and cleanliness are significant concerns.

The interaction and interdependence between administrative and program functions often defines organizational mission success, and our study leads us to conclude that improved administrative capacity is an important step in enhancing and expanding quality OST programs.

VII. Conclusions and Recommendations

Our study shows a picture of a wide range of OST-providing organizations in two major cities, all of which are providing first-rate program services to the young people they serve, and all of whom to one degree or another evidence and articulate difficulties in providing the administrative infrastructure to effectively support, develop, and expand those programs. Across each of the four areas investigated in our study – financial management, human resources, information technology and facilities management – organizations were generally capable of providing for a certain level of administrative support and functioning: in some instances, however, this level was a necessary minimum, but little more. (We should note that, at the same time our overall impressions were of resource and administrative constraints, there are examples in our sample of organizations that do function at a very high administrative level, and are models of practice in some areas.)

Our study, therefore, does not support the notion of OST-providing organizations on the brink of collapse from a feeble administrative infrastructure. Organizations which have been able to “muddle through” on thin margins and limited resources devoted to management and general support tend to develop mechanisms that allow them to continue to muddle through, even if the resulting allocation of energies and resources is less than optimal, and even if crisis management becomes a too-frequent mode of operation.

But a “less than optimal” management infrastructure has real consequences, notably at the program level. However prized by many funders and watchdogs around the nonprofit sector, a “lean” administrative management structure is all too often a weak one. An organization devoting an inadequate share of its resources to fund management and general expenses will be able to carry out, at best, the most basic management functions, but will lack the capacity for effective, proactive, strategic management.

Moreover, without adequate funding for administrative expenses, program staff have to do more “administration” to make up the gap. This appears to be especially evident in the case of OST providers, in which a program manager may also be a recruiter, IT troubleshooter, liaison to funders, and (as we witnessed directly in a site visit at one organization) leaky-roof repair person. Thus, rather than being *supported by* proactive planning and management strategies which seek to maximize their role in advancing the organization’s programs and mission, program staff are too often in the position of *supporting* the organization’s administrative functions.

What many, indeed we could safely say most, of the organizations we examined here lack are the resources and capacity for more forward-looking, proactive, and truly strategic administrative management. As funding levels for OST programs have recently increased in the cities in our study, organizations need strategic plans and processes to understand when and how they can best use additional available resources to improve and expand their programs. They need the information to make effective decisions about who is being served in and by their organizations, and how to maximize the impact of those services. They need systems and processes to effectively plan for their resource needs, both human and financial. In sum, they need investment in an administrative infrastructure that can move beyond the basic functional level and into the area of strategic, value-adding management. That this is not in many cases currently occurring is not necessarily the “fault” of organizational leaders or staff members,

who are generally doing the very best they can with their available resources, and responding appropriately to the incentives and constraints presented to them.

The interaction and interdependence between administrative and program functions often define organizational mission success, and it is clear that enhancing and expanding OST programs is at least in part a function of improved administrative capacity. Improved administrative functions and systems can result in more time by program staff spent on actual program activity, clearer delineation of administrative and programmatic responsibilities, better training for any number of roles, access to and better use of data to evaluate and run programs, better facilities, or strategic and planning capacity brought to implementation on an on-going basis.

While the organizations we observed do a number of programmatic and administrative functions right, and there is no shortage of staff competence, commitment and dedication, there exist in many organizations obstacles or barriers to strengthening administrative capacity and building efficient administrative systems. Often these obstacles cut across one or more of the administrative functions we examined in this study.

In very broad terms, these obstacles include the following:

- Many organizations lack the financial resources to invest significantly in administrative staff, facilities needs, IT infrastructure and support, and transformational purchases such as improved space. Even incremental cash investments with direct quantifiable impact seem outside the reach of some organizations, often to the point where many administrative costs aren't even directly budgeted.
- The complexity of OST programs and the resulting need for program specific resources result in a heavy organizational focus on those few core administrative activities which must be accomplished for the organization to function, such as grant compliance, part-time hiring, and facilities and IT management across multiple sites. These efforts often come at the necessary expense of other critical administrative functions, particularly those concerned with a longer-term and more strategic approach to management. The continuum of administrative capacity is often heavily weighted toward the functional/transactional level rather than the strategic level, out of actual and perceived necessity.
- OST-providing organizations often don't have full control over their costs. Administrative tasks are often dictated and corresponding funding limited by outside partners, whether it is through the government granting process and related compliance requirements, costs associated with the ownership of facilities, legal compliance costs associated with personnel and employment regulations, or other costs either "mandated" or otherwise outside of an organization's direct control.
- Many organizations lack necessary administrative strategic initiatives. Whether it is through lack of resources, time, or organizational commitment, we saw little capacity for true proactive planning, even when such planning was expressed as a desire by organizations' leaders.

- Organizations often can't identify where and how particular investments would have the greatest impact. The heavy reliance on part time staff, the lack of clarity of roles across and within administrative functions, and the circumstances forcing program staff to perform many administrative tasks lead to confusion and non-matching skill sets. Without more clarity on roles, along with an accurate calculation of the true scope and costs of administrative functions, additional investment in administrative resources may be misdirected or not achieve clear results.
- Communication between administrative staff and program staff is limited, and ultimately forums for decision making or opportunities for better and more efficient working relationships are being missed.

Programmatic management and success cannot be maximized until action is taken to overcome these obstacles. Internal and external investment that serves to remove these impediments to programmatic focus and mission fulfillment while at the same time providing organizational administrative support and vision would result in not only improved administrative systems but strengthened, and even expanded, programs.

Preliminary Recommendations

Our own recommendations to serve these purposes are broad and exploratory in nature. While many specific recommendations can be advanced, only after further testing of numerous options could there be any assurance of their viability, likelihood of implementation, and evidence of desired performance outcomes over the long term.

Some of our “exploratory” recommendations are below.

Contracting: We recommend that government-based and other funders of OST programs make themselves fully aware of the consequences of “capping” administrative funding with respect to the ultimate program-level effects of administrative challenges. OST-providing nonprofit organizations too, of course, need to understand that limited investment in administrative functions has program implications. As much as possible, organizations should take steps to calculate and understand the true costs of providing OST services, incorporating realistic assessments of administrative costs, and make strategic decisions about programs and contracts based on more complete information.

Funders and contactors should also do as much as possible to understand the full costs associated with complying with the funding that they themselves provide, and to work to minimize these “mandated tasks” associated with grant and contract compliance and build appropriate funding to cover such costs into the structure of the contracts.

Financial Management: Since OST programs are in many cases heavily funded by government contracts, we recommend exploring ways of better aligning the financial reporting requirements associated with these contracts with the kinds of reporting that would be most relevant and beneficial for an organization’s own internal use. An organization required to regularly report on 20 different contracts will often organize its own internal budget simply as an aggregation of 20 different contracts, rather than as a set of programs with costs that can be understood, calculated, and managed. Exploring ways to align *externally* imposed financial reporting requirements with those measures and metrics that would be most useful for the *internal* management purposes of organizations would go a long way toward encouraging the kind of proactive, strategic business planning that would benefit all constituencies in the long term. At

the very least, sources of funding should seek as much as possible to minimize those elements of financial reporting that entail heavy administrative burdens, and fully consider the position of service providers in bearing these burdens.

Human Resources: Given that the recruitment function is also such an obvious and ongoing burden for OST-providing organizations, we recommend exploring the feasibility of establishing city-wide OST **recruiting** initiatives from which programs could draw from a database of screened and qualified candidates. Such an initiative could achieve economies of scale in sourcing appropriate OST candidates and reduce the administrative burden on individual organizations, while at the same time maintaining the appropriate role of the organization's own staff and leadership teams in the **selection** of candidates for its programs.

Information Technology: As information technology infrastructure is critical to OST-providing organizations' efficiency and effectiveness in providing their services (and is sometimes an actual component of the services themselves), as well as to supporting other operational and management areas, this is an area in which appropriate investment can have strong and widespread impact. Therefore we recommend further exploring the needs for and likely impacts of enhanced capital investments in information technology, and the potential development of a funding agenda to support such investments.

Further Research Agendas: In contrast to the current tendency to praise and promote those nonprofit organizations which minimize the amount of their resources "diverted" from program services to administrative overhead, we recommend a research agenda that would seek to determine some realistic standards and benchmarks for appropriate levels of administrative investment. Such an agenda would work to correlate levels of financial investment with some of the measures of administrative capacity that we have begun to explore in this study. As such benchmarks would likely be sector-specific, understanding the specific levels of investment associated with administrative quality in the OST sector would offer important guidelines to organizations as well as to funders and the general public, and would help to counteract the distressingly common belief that investments in management and administrative functions are somehow divergent from the goal of advancing an organization's programs and mission.

The evidence supports the notion that administrative capacity and programmatic capacity are intricately linked. Whether through time, money, planning, control, communication or understanding and accounting for the unique complexities of a nonprofit organization and the programs it provides, administrative capacity influences the capacity of programs to make their impact. Our study has examined those high impact areas where better defining and strengthening the link between the two will not just improve the administrative functions of OST programs, but in turn enhance the capacities of the after-school and other important programs that they serve.

About Fiscal Management Associates, LLC

Since its founding in 1999, FMA's mission has been to empower not-for-profit organizations with the knowledge and skills they need to successfully serve their constituents and fulfill their missions. FMA provides consulting services and training programs designed to build the fiscal and other administrative management capacities of not-for-profit organizations. FMA has served more than 300 not-for-profits throughout and beyond the New York metropolitan area, empowering them to effectively manage their resources and position themselves for stable, long-term growth.

For more information on FMA and their services, visit their website at www.fmaonline.net.

About The Wallace Foundation

The Wallace Foundation seeks to support and share effective ideas and practices that expand learning and enrichment opportunities for all people. Its three current objectives are:

- Strengthen education leadership to improve student achievement
- Improve after-school learning opportunities
- Build appreciation and demand for the arts.

For more information and research on these and other related topics, please visit our Knowledge Center at www.wallacefoundation.org.

To fulfill its mission, The Wallace Foundation often commissions research and supports the creation of various publications. In all cases, the findings and recommendations of individual reports are solely those of their authors.